

47 Billion to Go



**This year, even as we sell 1 billion
servings of our products daily, the world
will still consume 47 billion
servings of other beverages *every day*.
We're just getting started.**

Financial Highlights

| Year Ended December 31, | 1997 | 1996 | Percent Change |
|---|------------|------------|----------------|
| (In millions except per share data and ratios, as reported) | | | |
| Total return (share price appreciation plus dividends) | 27.8% | 43.1% | |
| Closing market price per share | \$ 66.69 | \$ 52.63 | 27 % |
| Total market value of common stock | \$ 164,766 | \$ 130,575 | 26 % |
| Net operating revenues | \$ 18,868 | \$ 18,673 | 1 % |
| Operating income | \$ 5,001 | \$ 3,915 | 28 % |
| Net income | \$ 4,129 | \$ 3,492 | 18 % |
| Basic net income per share | \$ 1.67 | \$ 1.40 | 19 % |
| Diluted net income per share | \$ 1.64 | \$ 1.38 | 19 % |
| Cash dividends per share | \$ 0.56 | \$ 0.50 | 12 % |
| Average shares outstanding | 2,477 | 2,494 | (1)% |
| Average shares outstanding assuming dilution | 2,515 | 2,523 | 0 % |
| Share owners' equity at year end | \$ 7,311 | \$ 6,156 | 19 % |
| Return on capital | 39.4% | 36.7% | |

Contents

| | |
|---|--|
| 3 A Business in Its Infancy A Message from M. Douglas Ivester | 33 Financial Review |
| 9 Why Is a Billion Just the Beginning? A Look at the Other 47 Billion | 42 Selected Financial Data |
| 20 The Next Billion Our Opportunity. Our Ability. Our Mindset. | 44 Consolidated Financial Statements |
| 23 Operating Group Reviews | 49 Notes to Consolidated Financial Statements |
| | 64 Management and Board of Directors |
| | 66 Share-Owner Information |
| | 67 Glossary |



M. Douglas Ivester

Chairman, Board of Directors,
and Chief Executive Officer

Dear Fellow Share Owners,

The pioneers who built this Company scarcely could have imagined it. About the time you are reading this letter, your Company will achieve an amazing milestone — sales of Coca-Cola and other Company products will exceed 1 billion servings per day.

It took 22 years for us to sell the first billion servings of Coca-Cola. And now, we're selling a billion drinks a day.

As we mark that milestone, and as we look back at another year of record sales, record profits and healthy return on your investment, two key thoughts stand out: the many pioneers who brought us to this point, and the steps we're taking to go after the next billion.

Those who came before us blazed a trail with their vision, their imagination, their creativity and their dedication — dedication to this business,

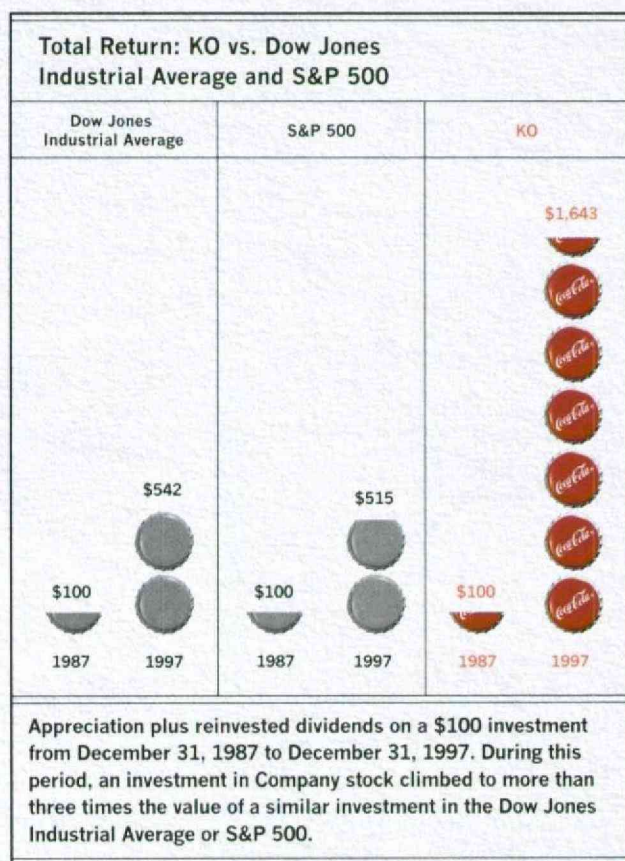
and to you, its owners. But their legacy is more than might appear from a first glance at their achievements. They also left us — to their great credit — an unfinished business, a business in its infancy, a business with a future.

First came the creator of Coca-Cola, John Pemberton, nearly 112 years ago. Later came Asa Candler, the originator of 20th century Coca-Cola marketing; Robert Woodruff, for 60 years the architect of our Company's success and father of our international expansion; and many thousands more Coca-Cola men and women, less famous but no less crucial in their pioneering efforts.

Among those pioneers, none stood taller in creating value for our share owners than Roberto C. Goizueta, who led your Company for 16 years as chairman of our Board of Directors and chief

executive officer. He regarded our mission, creating value for you over time, as paramount.

But his legacy, too, is something more. He has left us a business he knew was still very much in its infancy. And he has left behind nearly 30,000 talented women and men capable of doing their jobs extremely well and building on his pioneering efforts — just as he built so superbly on the work of the pioneers who preceded him.



Those of us who are privileged to work for The Coca-Cola Company can best honor Roberto and our other pioneers by doing as they did: building this business, finding more ways to bring Coca-Cola and our other products to more people, recognizing our vast potential, and going after that next billion.

And what makes the opportunity before us so

very exciting is this: Never before has this Company been more perfectly poised for pioneering, with a global system far more capable and far stronger than just a few short years ago. This is a business in its infancy, a true growth company with true, incomparable growth opportunities all over this world.

Just name another business with a more popular, affordable product, with a stronger foothold in more countries, yet with the opportunity to serve almost all of the world's nearly 6 billion consumers morning, noon and night.

I certainly cannot.

And the actions and results of this Company in 1997 make the case for our future more strongly than anything I could write.

Of greatest importance is the 28 percent total return our Company produced on your investment — appreciation in stock price plus dividends. We're not content with that, but it's not bad atop 43 percent in 1996 and 46 percent in 1995. Still, we don't look at this business solely in three-month or 12-month blocks. We continue to manage your business for the long haul, and I think most of our investors probably look at their investments the same way.

But looking long term brings out some fascinating details that demonstrate the strength we enjoy. Overall, we logged worldwide volume of 14.9 billion unit cases of our products last year, up 9 percent from 1996. That's the same amount we sold between 1886 and 1960. Those figures aren't just interesting; they're instructive. If anyone questions the ability of a 112-year-old Company to grow, point them to this one — because this Company isn't just growing; it's growing by more cases than ever.

1997 was a good year by other measures, as well. Operating income topped \$5 billion, an all-time high. Net income was \$4.1 billion, again an all-time record and up 18 percent over 1996.

Earnings per share, at \$1.67, grew 19 percent, following increases of 19 percent in each of the last two years.

That EPS number included 23 cents per share in gains from the sale of our stakes in certain bottling businesses. Our strategy of several years now — buying underperforming bottlers, investing in them, improving their performance and selling them to powerful anchor bottlers to further drive sales — worked at a quicker pace than ever. And while gains of this magnitude will not be repeated every year, the result was good news, as our Company made money and, more importantly, the moves made our system significantly stronger.

But on Wall Street, where consistency and predictability are highly prized, the sizable impact of these transactions wasn't perceived as particularly good news. Significant gains in one year make the next years' earnings less consistently predictable. So, while gains on bottling transactions have been part of our financial picture for years — and will continue to be — going forward we will clearly enumerate such transactions, differentiating those sizable gains, so there is a clear understanding about the ongoing strength of this business.

1998, to no one's surprise, may well present a significant challenge as we report our results: the impact of the U.S. dollar, which has strengthened considerably over the past several years. Stronger dollars, of course, mean weaker currencies elsewhere, and our Company does business in dozens of currencies.

But over time, we manage our currency exposures to mitigate any negative impact from currency fluctuations. And with the recent turmoil in some economies, we see opportunities to

continue investing in our business, with a disciplined focus on the long term. (When the Mexican peso fell by more than 50 percent between 1994 and 1995, our system continued to invest in our second-largest market. Today we're seeing the benefits, with a gain of 10 share points since then, and volume up 11 percent in 1997.) We always remember that exchange rates are not an indicator of our performance; volume growth is.

Looking ahead over the long term, we see no

"This is a business in its infancy, a true growth company with true, incomparable growth opportunities all over this world."

reason to change our ambitious and long-held targets; we still expect worldwide volume growth of 7-8 percent per year, on average, with earnings-per-share growth averaging in the upper teens (15-20 percent). We may not hit those averages in every quarter, or in each individual year; for example, our transaction gains in 1997 would make it tough for us to predict "lapping" our performance in 1998. (This is nothing new; as far back as 1986, we received a large gain upon selling numerous bottling operations in the formation of Coca-Cola Enterprises Inc.) Our track record for the last five years (18 percent average compounded EPS growth from continuing operations), 10 years (19 percent) and 15 years (17 percent) is indicative of our expectations for the future.

But enough about the vagaries of financial reporting; let's talk about the basics. The indicators of our core soft-drink business — such as volume and operating income — remain extremely strong

heading into 1998 and beyond. That points to our growth potential; in country after country and town after town, with consumer after consumer, all over this world, this business is only now starting to take off.

In China, the world's largest market, our volume soared another 30 percent in 1997. But the average resident of China still drinks just six of our products a year — certainly a business in its infancy.

In Russia, where we took the lead over our largest competitor in 1996, we widened that lead to 3-to-1 in 1997; we opened four more plants

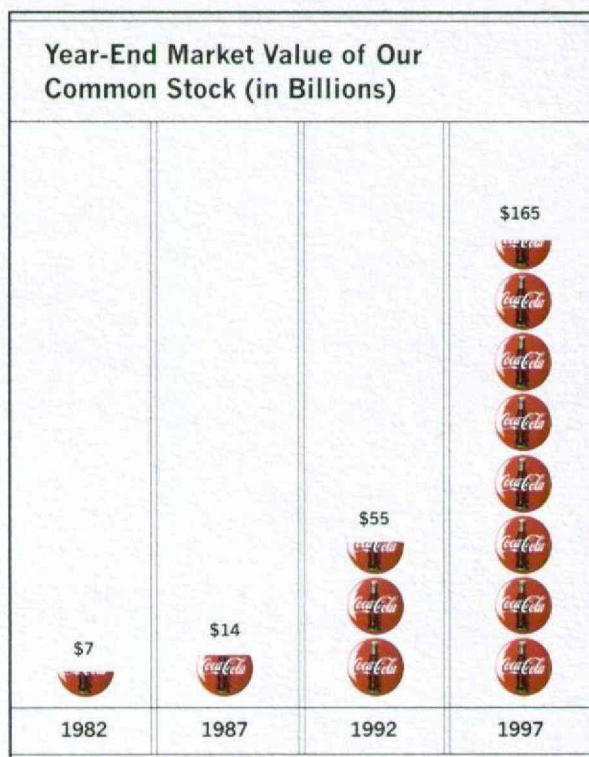
a decade-long deficit. In Australia, where Coca-Cola has long been the nation's favorite soft drink, POWERāDE is now the favorite sports drink.

Here at home, our U.S. volume increased by 6 percent, nearly double the growth of the U.S. soft-drink industry. A few years ago, Coca-Cola USA set the ambitious goal of 400 servings per capita per year by the 21st century; we're now at 376 and fast closing in on the target.

Still, we know two important facts. One, performance like that doesn't just happen; it is the result of not just being in the right places, but doing the right things at the right time. And two — as you noticed from the cover of this report — when our Company records its first billion-serving day, the world will also drink about 47 billion servings of *other* beverages — which means we have plenty of opportunity still ahead. (We're already counting; 10 years from now, just with population growth, the world will be drinking 54 billion beverage servings a day.)

That's why, as exciting as our achievements were in 1997, we're more excited about the capabilities we're putting in place for 1998 and beyond. More than ever, our worldwide bottling network is becoming more cohesive around larger, stronger bottling partners, strategically aligned with our goals for building brands and volume, and well equipped to build the infrastructure to reach more consumers in more places more profitably.

Examples of our strengthened system abounded in 1997. We completed the sale of our large minority stakes in our bottling partners in Great Britain, Canada and New York to Coca-Cola Enterprises, our largest anchor bottler (in which we remain a major share owner). Panamerican Beverages Inc., Latin America's largest anchor, acquired our Venezuelan bottling venture and, separately, the Nicaraguan Coca-Cola bottler. We sold our



there on October 1, bringing our system's Russian investment to \$650 million and pointing to strong future growth.

The highlights go on and on. Last summer, we became Puerto Rico's soft-drink leader, reversing

remaining minority stake in our Buenos Aires bottler to another anchor, Coca-Cola FEMSA, S.A. de C.V. Anchor bottler Coca-Cola Erfrischungsgetränke AG merged with Coca-Cola Rhein-Ruhr to serve more of Germany. Sydney-based anchor Coca-Cola Amatil Limited acquired Coca-Cola Bottlers Philippines Inc. (our Philippine joint venture, which began the trend toward strengthening our bottlers back in 1981). We formed a new anchor bottler, Coca-Cola Nordic Beverages A/S, in

a joint venture with Carlsberg A/S, to serve Denmark and Sweden. The Minute Maid Company implemented fundamental changes in its business system, joining strong new partners, improving its product line and adding value to our Company.

Then, just this month, Coca-Cola Amatil announced plans to spin off a separate public company, Coca-Cola Beverages, serving existing Coca-Cola Amatil territories in Europe. That move will allow Coca-Cola Amatil to focus on further development of the Asia-Pacific region.

Coca-Cola Beverages will be led by Neville Isdell, former president of our Greater Europe Group; he is succeeded by Bill Casey, former CEO of our bottler in Canada, while David Kennedy, former general manager of Coca-Cola Fountain, will join Coca-Cola Amatil as managing director.

The moves by those three talented veterans speak volumes about the management depth of the Coca-Cola system. And the effect of all these changes — and many more — is an augmented network of powerful Coca-Cola bottling partners, able to more swiftly and efficiently serve more areas with more of our products.

At the same time, we have continued working very aggressively to market and build our brands. To

review all of those moves would literally fill the rest of this report, but even so, a few highlights deserve mention here.

We continued our strong worldwide push behind the popular contour bottle for Coca-Cola and

“In country after country, all over this world, this business is only now starting to take off.”

the dimpled bottle for Sprite, two packages with consumer recognition of which most companies could only dream. Brand Coca-Cola grew a strong 8 percent worldwide in 1997, while Sprite grew at a 13 percent clip.

In the United States, we reached an agreement to make Coca-Cola classic the official soft drink of NASCAR racing, connecting with millions of the sporting world's most loyal fans.

Meanwhile, POWERāDE became the official sports drink of the fast-growing National Hockey League. And Surge continued its very strong performance, our biggest new product launch in more than a decade. This “fully loaded citrus soda” is a hit with young people, and will soon reach 90 percent of the United States. Already, it's among the top 10 soft drinks at petroleum accounts.

Barq's, which became America's top root beer in 1997, arrived in Indonesia. (This year, this beloved brand will celebrate its 100th birthday.) We relaunched Fanta in Great Britain, and promoted Sprite and the National Basketball Association in Australia, Turkey and Northern Africa. In December, we signed a deal to acquire Orangina, France's popular — and, we think, promising — orange soft drink.

1998 should prove equally eventful. As this report goes to press, the Olympic Winter Games are concluding, extending our sponsorship of the Olympics to 70 years. And we're looking forward to a great year of promotions with World Cup soccer, the sports world's other favorite mega-event; we've extended our partnership with the World Cup and FIFA, soccer's governing body, through 2006.

We intend to keep on working to make our brands always special, different and better in the minds and hearts of our consumers and customers. We will serve more customers with more promotions and more strategies to drive their businesses and ours, and we will take more steps to strengthen and align the bottling system that serves them. Clearly, the worldwide Coca-Cola system is at the dawn of a new day of expertise and capabilities.

As for me, I am deeply honored by the opportunity to lead what I believe is the most noble business on earth. Mr. Woodruff always said that everyone who touches Coca-Cola should benefit — and our strengthening system is making that maxim truer than ever.

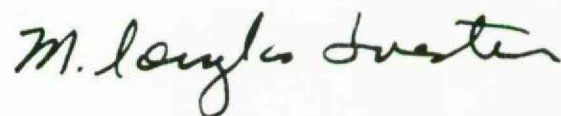
Your Company and its bottling partners have enriched the lives of millions of people all over the world — share owners, customers, communities — by offering a simple moment of refreshment and good times we know as Coca-Cola. That is something special indeed, and I'm already enjoying the challenge of leading such an enterprise. I appreciate the confidence of our Board of Directors, and am thankful for their wise guidance.

Last fall, a reporter asked me whether the Company would change directions. My answer was simple: "No left turns, no right turns." This Company is on a sure and steady course. We will continue our strategic effort to produce profitable volume growth for our exceptional stable of brands.

That's not to say nothing will change in 1998; there has never been a year without change in this Company's history. We owe it to our predecessors, and to you, to maintain their pioneer spirit, and I intend to see that we do just that. I've developed a reputation around here for always asking questions, and I'll keep asking them, always looking to make us better. I am obsessed with all the places Coca-Cola is not, as are our people, and it's my job to elevate their aspirations as they go out and find them all.

No new CEO ever started out with a better team. From our senior management to all our colleagues around the world, our people are talented and hard working, with a real commitment to building this business and building value for you. And we know we could not realize the opportunities before us without the support of our bottling partners and the millions of customers who sell our brands. We're grateful to them for putting our products in the world's hands, every day.

Finally, we appreciate the confidence you have shown in our Company, entrusting us with your investment. We are the recipients of a great legacy: a Company with a legendary history, yet with a barely tapped world of opportunity. With vast horizons ahead, we look forward to blazing new trails of success, as did the pioneers who preceded us.



M. Douglas Ivester
Chairman, Board of Directors,
and Chief Executive Officer
February 19, 1998

WHY is a billion a day just the beginning?

BECAUSE

they're still called "coffee breaks."





Stepping down the hall for a coffee break has become an office tradition around the world. But we're intently focused on making sure that any time people need to be refreshed, they take a "Coca-Cola break."

BECAUSE

some fountain drinks are still easier to find.





In many places, it's easier to find a water fountain than a Coca-Cola. That's why we continue to strengthen our distribution system. We're working hard to make our products an integral part of any landscape so they are always within easy reach.

BECAUSE some people still try to sell you substitutes.





Even in our most developed markets, there are places where people get stuck with a stand-in for The Real Thing. We're constantly taking steps to win consumers and customers by offering better value and superior refreshment.

BECAUSE few place settings are this complete.





Wine is so closely associated with meals that it's a part of every formal place setting and every crystal pattern. Yet, even with all of its success, the world's favorite soft drink still doesn't have a reserved place at the table. We're out to change that by making Coca-Cola the preferred drink for any occasion, whether it's a simple family supper or a formal state dinner.

BECAUSE people still say, "for all the tea in China."





It's a common phrase for good reason. There is a lot of tea in China, and everywhere else in the world. But increasingly, people in China are enjoying Coca-Cola, too. In 1997, we were named the most recognized international trademark and most preferred soft drink in that country of 1.2 billion people.

Opportunity ... Ability ... Mindset

OPPORTUNITY

Just about any company would be thrilled, and many content, to serve a billion of its products a day, with its flagship brand a household name around the world. We are thrilled ... but still discontented.

When we look at our business, we're not nearly as intrigued by the billion we just served as we are by those 47 billion servings of other beverages people drink every day. We'd rather look forward than back, and we see enough opportunity to keep us busy for a very long time.

Worldwide, the average person drinks our beverages about once a week. And 4 billion consumers live in countries where the average is even less. The reality is that countries with about 20 percent of the world's population account for 80 percent of our volume.

Those statistics point to vast opportunity. But it takes more than just potential to deliver unit case volume growth and sustained earnings. On these and the following pages, you'll learn how we're bolstering our ability — our capabilities and capacities — to capture those opportunities, and how we're using our financial strategies and structures to help us build those capabilities. You'll also read about our mindset — our single-minded focus on value creation — and how that drives everything we do. Opportunity, ability, mindset ... the keys to our next billion.

ABILITY

We're constantly enhancing our capabilities and capacities to capture opportunities at every level of our business. That's especially true when it comes to two of our primary sources of competitive advantage — the strength of our brands and the power of our distribution system.



Connecting with consumers — We sell a simple product that helps satisfy a daily need of everyone on the planet — refreshment. Our products don't just quench thirst; they provide a moment of physical and emotional replenishment that can happen anytime and anywhere. More and more, we're learning how to make those simple moments of refreshment special for our consumers through our brands and promotions.

For instance, we're creating unique events and activities that allow consumers to connect with the authentic, refreshing spirit of Coca-Cola. One such experience is "Coca-Cola Sky Field" in Atlanta, an interactive attraction where fans can enjoy two great pastimes — watching baseball and drinking Coca-Cola.

Another is the "Refreshing Oasis" program in Peru. There, we're connecting the refreshing qualities of Coca-Cola with the joys of a beach experience by dispatching "Refreshing Squads" to distribute our ice-cold products and trademarked merchandise.

The popularity of these and similar experiences reflects the widespread appeal of our trademarks and products. With four of the top five soft-drink brands in the world, we already have a powerful brand portfolio. And those brands are growing every day.

1997 Growth Rates for Our Core Brands —

| | |
|---------------------------|--------|
| Coca-Cola | Up 8% |
| diet Coke/Coca-Cola light | Up 5% |
| Sprite | Up 13% |
| Fanta | Up 6% |

To build on that momentum, we continue to clearly differentiate each brand in the eyes of our consumers. Here are just a few of the actions we took in 1997 to enhance our brands:

- We gave Coca-Cola a global facelift, creating new graphics for our packaging, point-of-sale materials, street signs, trucks and vending machines. In the United States, we also introduced six-pack 500-ml bottles for Coca-Cola classic in proprietary basket carriers.
- For diet Coke — or Coca-Cola light, as it is called in some countries — we developed new graphics, and advertising that touts the brand's confident, spirited attitude.
- To clearly communicate the energetic, irreverent personality of Sprite, we created edgy promotional tie-ins around the world with the National Basketball Association.
- We launched a new global advertising campaign called "Welcome to the World" and new graphics that communicate the intense taste and fun-loving attitude of Fanta.

In addition to our powerful core brands, we're also building our strong team of international and local brands. Earlier this year, we introduced new flavors for POWERADE — "Green Squall," with the tastes of kiwi,

watermelon and pineapple, in the United States, and "Electric Chill," a blend of blackberry, raspberry and apple flavors, in Australia. Also in 1997, we relaunched one of our biggest sellers in India, Thums Up, with new packaging and advertising to reinforce the brand's connection with sports.



In response to our consumers' changing tastes and needs, we also introduced a number of new brands in 1997. Among them: Smart, the first soft drink ever developed specifically for the Chinese market; Kuat, a guarana berry drink for Brazilian consumers; Ciel, created to take advantage of the growing bottled-water business in Mexico; and Citra, our popular new U.S. citrus soft drink for active young people.

Strengthening our already strong system — In 1997, we accelerated efforts to put our global production and distribution in the hands of bottling partners who share our focus on increasing consumption and building share-owner value.

Together with these partners, we're increasing unit case volume, marketing our brands more effectively and increasing efficiencies in production, distribution and marketplace execution. We increased our ownership

stake in Mexico's third-largest bottler, Grupo Continental, S.A., and in three Chilean-based bottlers, Embotelladora Andina S.A., Embotelladoras Polar S.A. and Embotelladora Arica, S.A. With investments such as these, we're moving ever closer to our long-held goal of putting our products "within an arm's reach of desire."

At the same time, we're accelerating our efforts to ensure that we can satisfy that desire with a beverage that's ice-cold. Much of the world still drinks our beverages at room temperature, even though our products taste best when served cold. By placing vending machines and coolers in high-traffic areas, we increase cold availability of our products and stimulate impulse sales. Last year alone, our system added 1 million pieces of cold-drink equipment around the world.

Leveraging our financial structures and strategies —

Our concentrate business generates substantial cash but consumes relatively little, because our capital is largely in place. That simple fact, along with our strategic use of debt, provides us with exceptional financial resources to continue strengthening our business.

In 1997 alone, we generated \$4 billion in operating cash flow, while our year-end net debt-to-net capital position was just 22 percent, leaving us with considerable flexibility for 1998 and beyond. Consistent with our long-held policy, we continue to invest our operating cash flow in three ways: 1) We reinvest in our system to build our capabilities and capacities around the globe — helping to build bottling and concentrate plants, implement and update information systems, and purchase trucks, coolers, venders and other equipment; 2) we pay dividends; and 3) we buy back our own stock.

MINDSET

Integral to our success in the nearly 200 countries where we do business are the people of the Coca-Cola system, who remain intensely focused on creating long-term value for our share owners. At every level, our people

understand that such value creation depends on our ability to consistently identify new growth opportunities and to develop innovative ways to convert those opportunities into value.

To do that, the Coca-Cola Learning Consortium continues to institute processes and frameworks to enhance



our skills and capabilities. We're also taking a number of steps to ensure that we deploy the right people in the right places. One such step: establishing talent development committees to oversee the strategic placement and development of our top performers.

These actions already are having an impact on our business. In the Middle and Far East, for example, we continue to strengthen our leadership team by rotating experienced managers into key positions. We've also created a new division to focus exclusively on our opportunities in India. That emphasis on identifying and developing top performers throughout our system will continue to be a priority in 1998 and beyond.

THE NEXT BILLION

In the following pages, you'll read more about our global opportunities and how we're building momentum for 1998. Bottom line: We're already working on our next billion servings per day ... and we don't expect to take 112 years to get there.

North America Group

GROUP PROFILE

| | |
|------------------|--------------------------|
| Population: | 302 million |
| Per Capita: | 358 |
| High Per Capita: | Rome, Georgia, at 608 |
| Low Per Capita: | Buffalo, New York, at 93 |

SERVINGS PER DAY

| | |
|---------------|-------------|
| Our Products: | 296 million |
| All Others*: | 2 billion |

*All other beverages, including tap water.

BRAND REVIEW

| | |
|--------------------|--|
| Coca-Cola classic: | Unit Case Sales Up 3% |
| Sprite: | Unit Case Sales Up 10% |
| Also Notable: | Surge is now available in most of the United States and continues its dramatic growth. Unit case sales for Barq's increased 49%. |

MARKET HIGHLIGHTS

United States — Coca-Cola USA recorded significant gains in volume and share of sales in 1997, as we continued to move toward our destination of a "true 360-degree Coca-Cola landscape" — utilizing our "Three P's" strategy of preferred brands, pervasive penetration and price relative to value. For example, to build pervasiveness of our products, we're putting ice-cold Coca-Cola classic and our other brands within reach, wherever you look: at the supermarket, the video store, the soccer field, the gas station — everywhere.

Core Brands — Sales of Coca-Cola classic increased by nearly 50 million unit cases. Our giant summertime promotion, Coca-Cola Incredible Summer, helped drive hot-weather sales with cash prizes. Meanwhile, Sprite maintained its strong momentum, with its fourth straight year of double-digit growth; it is now the fifth-largest brand in the United States, and places second in teen-preference surveys, behind only Coca-Cola classic.

Fountain — Coca-Cola Fountain continued to be a strong contributor to our success in 1997 by creating customer value through our brands and total customer service. We enhanced our ability to maximize soft-drink sales and profits over time by strengthening our core brands and expanding our product line with Surge, Minute Maid Original Style Lemonade, Nestea Flavors, Hi-C and our brands in frozen form. In addition, we further solidified numerous customer relationships through long-term agreements and made significant infrastructure investments, including restructured customer teams, strengthened supplier agreements and new state-of-the-art manufacturing capabilities.

KEY OPPORTUNITIES

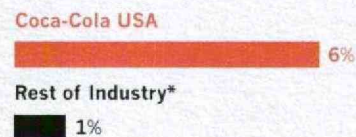
North American System — Bottlers in New York and Canada were sold to Coca-Cola Enterprises Inc., the world's largest bottler, in 1997, laying the groundwork for strong performance and even stronger growth there in the years ahead.

Promotions — We continue to connect with consumers in exciting new ways, whether through tie-ins with movies; unique, Coca-Cola themed attractions at sports venues; or innovative promotions. In 1998, look for creative promotions involving Coca-Cola classic, NASCAR auto racing and several of NASCAR's most popular drivers.

Fruitopia — Our popular 4-year-old fruit beverage brand now comes in a new plastic bottle and can be produced by our local bottling partners, dramatically lowering costs.

Average Annual Growth U.S. Unit Case Volume

1 Year



5 Years



*Rest of Industry includes soft drinks only.

Latin America Group

GROUP PROFILE

| | |
|------------------|--------------------|
| Population: | 481 million |
| Per Capita: | 187 |
| High Per Capita: | St. Maarten at 645 |
| Low Per Capita: | Haiti at 12 |

SERVINGS PER DAY

| | |
|---------------|-------------|
| Our Products: | 247 million |
| All Others*: | 4 billion |

*All other beverages, including tap water.

BRAND REVIEW

| | |
|---------------|-------------------------------------|
| Coca-Cola: | Unit Case Sales Up 8% |
| Sprite: | Unit Case Sales Up 9% |
| Also Notable: | diet Coke/Coca-Cola light grew 29%. |

Growth Rate: 1997 vs. 1996

| Latin America Group | Unit Case Sales |
|---------------------|-----------------|
| Argentina | 13% |
| Brazil | 2% |
| Chile | 13% |
| Colombia | 5% |
| Mexico | 11% |
| Total | 12% |

MARKET HIGHLIGHTS

Mexico — Our system's focus and investment in Mexico, one of our so-called "mature markets," generated strong growth. Per capita consumption reached 371 in 1997 — more than one drink per day per person. We believed in Mexico during its economic crisis earlier this decade, maintaining our investment. That commitment has resulted in a 67 percent share of sales and a stronger system.

Venezuela — 1997 saw Venezuela's continued success and further system alignment, with the acquisition of Embotelladora Coca-Cola y Hit de Venezuela, S.A., by Panamerican Beverages, one of our anchor bottlers. Our Venezuelan business sold more than 200 million unit cases in 1997, up significantly from previous years; in October alone, we sold more unit cases than in the *entire* year of 1995. Our per capita consumption reached 219 in 1997, versus only 17 in 1995. And for the first time, Coca-Cola was named consumers' preferred soft-drink brand in the country.

KEY OPPORTUNITIES

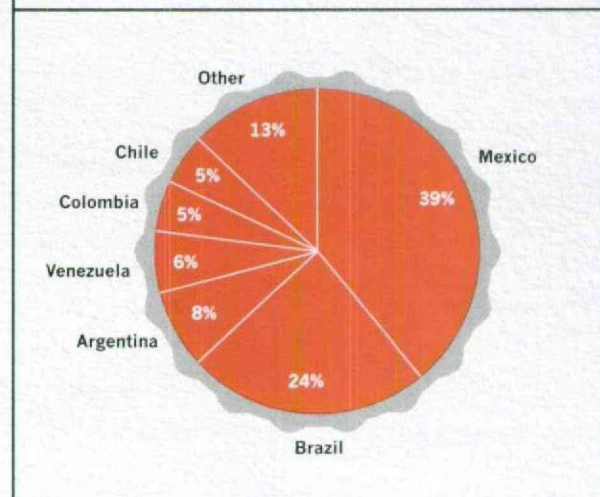
Brazil — Just as we recognized the potential of Mexico during its economic crisis a few years ago, we now see opportunity for investment in Brazil. In 1997, even in a

difficult environment, our volume in Brazil was up 2 percent against the previous year and our per capita was 134. Our system has invested \$1.4 billion in infrastructure and marketing in Brazil during the past three years, and we'll continue to focus on building our business there.

Alignment with Bottlers — Our system is rapidly building a more efficient network of fewer, stronger bottlers; the number of bottlers in the Group was reduced from 87 to 80 in 1997 alone. Further evidence of our progress in aligning our bottling system: For the first time, we've developed a single business plan with our top three Latin American bottlers — Coca-Cola FEMSA, Panamerican Beverages and Embotelladora Andina.

In 1997, we also formed the VeneCol Division (a Company operating division encompassing Venezuela and Colombia), fully matching our Company structure with that of our Latin American bottling system for the first time.

Latin America Group
1997 Unit Case Sales



Middle and Far East Group

GROUP PROFILE

| | |
|------------------|---------------------|
| Population: | 3.6 billion |
| Per Capita: | 19 |
| High Per Capita: | Guam at 302 |
| Low Per Capita: | Laos at less than 1 |

SERVINGS PER DAY

| | |
|---------------|-------------|
| Our Products: | 186 million |
| All Others*: | 29 billion |

*All other beverages, including tap water.

Growth Rate: 1997 vs. 1996

| Middle and Far East Group | Unit Case Sales |
|---------------------------------------|-----------------|
| Australia | 4 % |
| China | 30 % |
| India | 5 % |
| Indonesia | 13 % |
| Japan | 5 % |
| Korea | (2)% |
| Middle East and North Africa Division | 17 % |
| Philippines | 14 % |
| Thailand | 6 % |
| Total | 10 % |

MARKET HIGHLIGHTS

Philippines — Volume rose a very strong 14 percent in 1997, despite economic difficulties, pricing pressures and significantly accelerated competition. Our system opened its 21st bottling plant in the nation, part of a five-year, multi-million dollar expansion program designed to further strengthen our position there.

Middle East and North Africa Division — We took soft-drink leadership across this division, from Morocco to the Gulf, in 1997 — and we're pulling up close in the heart of the Middle East, long a stronghold of our leading international soft-drink competitor. This marks dramatic and quick progress, as we did little or no business in many of these countries just a few years ago.

KEY OPPORTUNITIES

Currency and Investment — We're seeing more growth and stronger opportunity in Asia, despite economic woes in several key countries, which hampered our earnings in 1997; numerous local currencies, including those in Thailand, Korea and Indonesia, suffered against

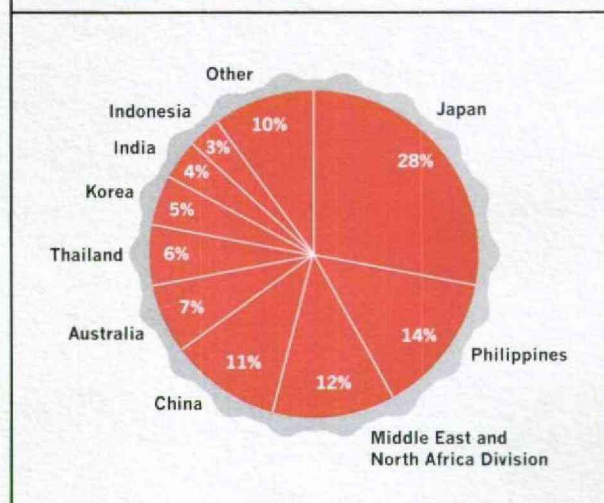
BRAND REVIEW

| | |
|---------------|------------------------|
| Coca-Cola: | Unit Case Sales Up 12% |
| Sprite: | Unit Case Sales Up 13% |
| Also Notable: | Fanta grew 11%. |

the U.S. dollar. The Company has a solid growth plan in place across the Group — and a real opportunity to keep investing in depressed markets. For example, to upgrade and refocus our system in South Korea, we purchased bottling operations in that country. (Early in 1998, Coca-Cola Amatil announced its intention to acquire these operations.)

China — The world's most populous country is now one of The Coca-Cola Company's top 10 volume markets. By mid-1998, 27 Coca-Cola production facilities will be up and running, completing the current building phase of our Chinese business plan. We have moved our focus from building to selling, and the opportunities for our expanding system are evident: Shanghai, one of our first Chinese markets, has a per capita of 66, while Qingdao, a new location for us, registers just 10. To serve the nation, we're opening more than 180 new distribution centers by 2000, most in cities of 1 million or more.

**Middle and Far East Group
1997 Unit Case Sales**



Greater Europe Group

GROUP PROFILE

| | |
|------------------|---------------------------|
| Population: | 858 million |
| Per Capita: | 89 |
| High Per Capita: | Iceland at 417 |
| Low Per Capita: | Tajikistan at less than 1 |

SERVINGS PER DAY

| | |
|---------------|-------------|
| Our Products: | 209 million |
| All Others*: | 7 billion |

*All other beverages, including tap water.

Growth Rate: 1997 vs. 1996

| Greater Europe Group | Unit Case Sales |
|------------------------------------|-----------------|
| East Central European Division | 15% |
| France | 18% |
| Germany | 2% |
| Great Britain | 3% |
| Italy | 12% |
| Nordic & Northern Eurasia Division | 30% |
| Spain | 11% |
| Total | 11% |

MARKET HIGHLIGHTS

France — Under the leadership of Coca-Cola Enterprises, strong marketplace execution produced strong results: volume growth of 18 percent. Relevant consumer promotions, including key campaigns with football and the World Cup, helped drive sales. Our Company's share of soft-drink sales in France is up 8 percentage points since 1994.

Turkey — Volume grew 32 percent in 1997, with share of sales up 14 percentage points since 1994. These results reflect our focus on brands and market execution, particularly on successful promotions for Fanta and Sprite. We also focused on opportunities to associate Coca-Cola with family and friends at the Ramadan holiday. As a system, we will invest \$400 million over the next few years to double our volume in Turkey.

Russia — A year after taking the lead, we raced ahead of our soft-drink competition in 1997. Coca-Cola and Sprite now each outsell all the brands of our leading international soft-drink competitor combined.

BRAND REVIEW

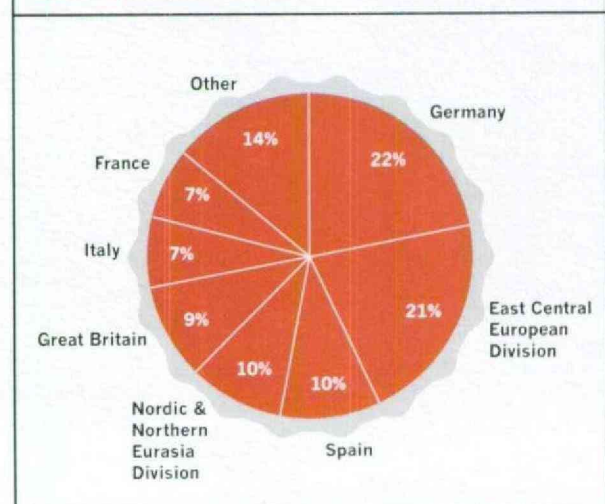
| | |
|---------------|--|
| Coca-Cola: | Unit Case Sales Up 9% |
| Sprite: | Unit Case Sales Up 25% |
| Also Notable: | Fanta is the No. 2 soft drink, behind Coca-Cola; Sprite is the No. 5 major soft-drink brand. |

KEY OPPORTUNITIES

Increasing Consumption — In more-established European locales — countries where we've been for decades, such as the United Kingdom and Germany — we're seeking to increase consumption incidence among consumers who already enjoy our products. For example, in Germany, the land of *bier*, only 46 percent of households bring home Coca-Cola products annually — and only 15 percent do so every month. We're focusing on the times and places that are right for a Coca-Cola, such as train stations, which attract an estimated 1.3 billion German travelers each year.

Attracting New Consumers — Meanwhile, in newer European markets such as Russia, our opportunity is to use our new, strong system to attract new consumers. To that end, our system opened four new Russian plants in October, completing a \$650 million investment plan that has doubled our capacity in key population centers.

Greater Europe Group
1997 Unit Case Sales



Africa Group

GROUP PROFILE

| | |
|------------------|-------------------|
| Population: | 594 million |
| Per Capita: | 27 |
| High Per Capita: | Seychelles at 290 |
| Low Per Capita: | Ethiopia at 2 |

SERVINGS PER DAY

| | |
|---------------|------------|
| Our Products: | 44 million |
| All Others*: | 5 billion |

*All other beverages, including tap water.

Growth Rate: 1997 vs. 1996

| Africa Group | Unit Case Sales |
|--------------------------|-----------------|
| Northern Africa Division | 13% |
| Southern Africa Division | 11% |
| Total | 12% |

MARKET HIGHLIGHTS

South Africa — The 10th largest market in the world for Coca-Cola products continued its recent growth, demonstrating the strength of our system and our people. South Africa's per capita consumption increased to 155 in 1997. Across the Southern Africa region, strong marketing campaigns and media efforts have spurred sales, with solid growth for Coca-Cola, Sprite, Fanta and POWERade.

West Africa — We're making significant progress in aligning our distribution and marketing efforts with key bottlers. Sales of Coca-Cola and Sprite have doubled in West Africa in less than three years.

KEY OPPORTUNITIES

Smaller Local Customers — We launched a new strategy focused not just on large customers, but also on microbusinesses — small customers who sell our products from street corners, kiosks or even their homes. These microbusinesses represent our greatest opportunity in Africa, as they reach more and more of our consumers every day. Our products account for a significant and important portion of their profits, strengthening the local communities where we do business.

BRAND REVIEW

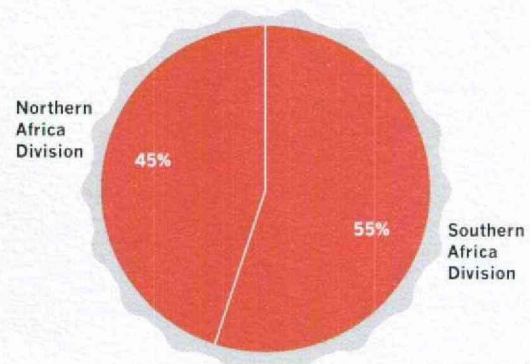
| | |
|---------------|---|
| Coca-Cola: | Unit Case Sales Up 15% |
| Sprite: | Unit Case Sales Up 25% |
| Also Notable: | Fanta grew 10% in Southern Africa and 12% in Northern Africa. |

Hot Climate, Young Consumers, Young Business — Our business in Africa is indeed in its infancy. The low per capita consumption of our products, the warm climate and the youth of African consumers (the average age is 20) are all signs of our opportunity on the continent.

In countries such as Tanzania, Mozambique and Uganda, we're working with our anchor bottler, Coca-Cola Sabco (Proprietary) Limited, investing heavily in infrastructure to take advantage of the tremendous opportunity found in these evolving markets.

Cold Drink — To bring more of our products to more consumers than ever before, our system installed more than 50,000 pieces of cold-drink equipment throughout Africa in 1997. In Africa's climate, the appeal of serving The Real Thing ice-cold can't be overemphasized.

Africa Group
1997 Unit Case Sales



The Minute Maid Company

GROUP PROFILE

| | |
|-----------------------------|-------------|
| Number of Countries Served: | 24 |
| Total Population Served: | 986 million |
| Per Capita: | 10 |
| Servings Per Day: | 28 million |

MARKET HIGHLIGHTS

United States — A significant increase in our marketing investment in support of the new taste of Minute Maid Premium ready-to-drink orange juice boosted volume 8 percent for that product line; profit margins increased as well. At the same time, through the formation of our “anchor broker” network, we upgraded our ability to execute our marketing programs in the retail store, dramatically improving our presence with consumers at the point of sale.

As expected, total Minute Maid share of retail sales declined due to the elimination of our not-from-concentrate product, but consumer preference for the new ready-to-drink taste bodes very well for our future growth.

Brand Building — Several ambitious marketing efforts helped drive sales and brand awareness for Minute Maid in 1997, including an energetic ad campaign (“Bite Into It”) and sponsorship of the 1998 Olympic Winter Games in Nagano. During the Games, consumers had the chance to win a lifetime of trips to the Olympics in our “Drink, Watch & Win — A Journey for a Lifetime” promotion.

And, again this year, we’re linking the Minute Maid brand name with the bed-and-breakfast experience in a promotion that offers consumers the chance to win their own bed-and-breakfast inn.

International Expansion — Minute Maid Danone, our new joint venture with food giant Groupe Danone, launched Minute Maid Premium refrigerated juices into five European countries, backed by significant advertising and promotional activities. Those efforts have had immediate results: Minute Maid is already the No. 1 juice in Spain, and No. 3 in France.

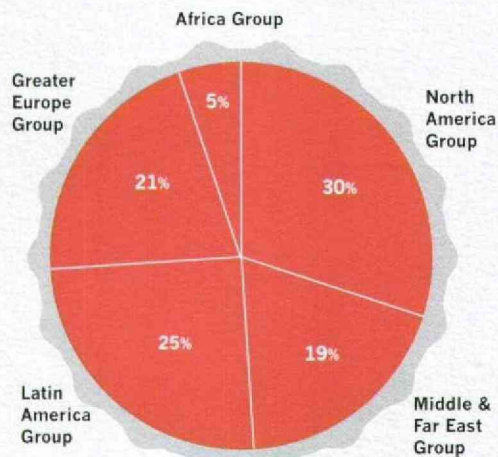
KEY OPPORTUNITIES

United States and Abroad — The Minute Maid Company is the world’s leading marketer of juices and juice drinks, yet accounts for just a small percentage of global juice and juice-drink sales. We’re working to increase our sales in the United States — in part by making Minute Maid Premium orange juice synonymous with breakfast — and to reach millions of new consumers outside of the United States. Look for further international expansion of Minute Maid in 1998.

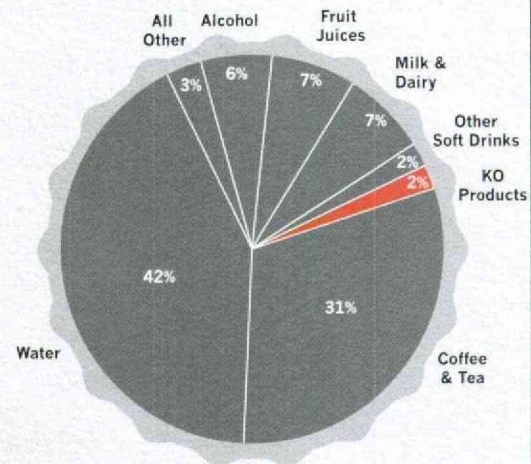
An Increasingly Powerful System — Much like the broader Coca-Cola system, the one-two punch of powerful brands and powerful partners — including Danone and juice supplier Sucocitrico Cutrale Ltda. — points to tremendous opportunity. The Minute Maid Company is on a firm strategic course to become — literally and figuratively — “The Coca-Cola Company of juices worldwide.”

1997 Worldwide Unit Case Volume by Region

Worldwide Total: 14.9 Billion



1997 Worldwide Beverage Consumption*



*Sources: A.C. Nielsen, industry estimates and 52-country survey of consumer drinking habits.

1997 Worldwide Leadership by Country

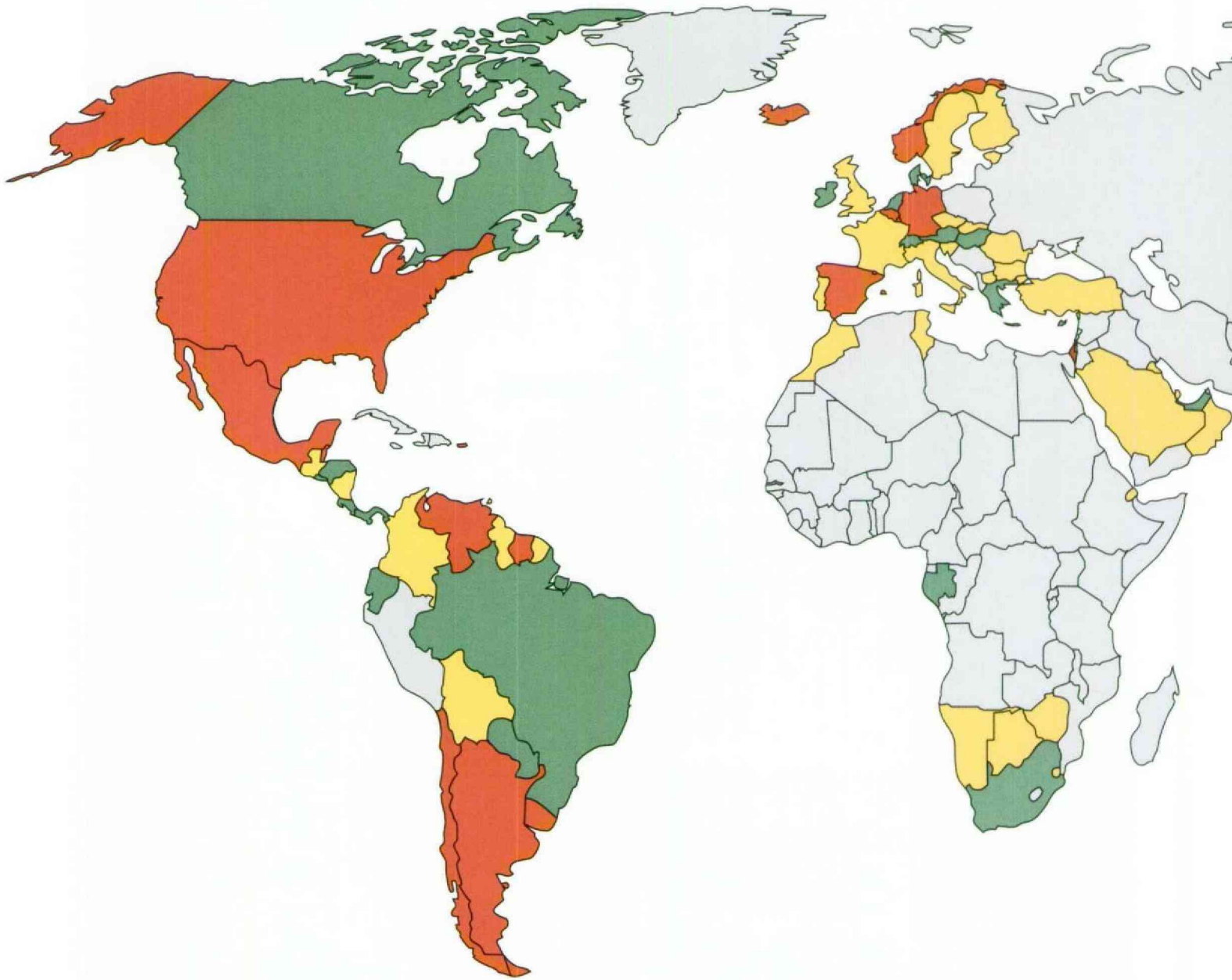
| | Leader | Leadership Margin** | Second Place |
|---------------|-----------|---------------------|-----------------|
| Australia | Coca-Cola | 3.7:1 | diet Coke |
| Belgium | Coca-Cola | 5.2:1 | Coca-Cola light |
| Brazil | Coca-Cola | 4.4:1 | Brazilian Brand |
| Chile | Coca-Cola | 5.0:1 | Fanta |
| France | Coca-Cola | 5.1:1 | French Brand*** |
| Germany | Coca-Cola | 3.3:1 | Fanta |
| Great Britain | Coca-Cola | 1.5:1 | diet Coke |
| Greece | Coca-Cola | 3.7:1 | Fanta |
| Italy | Coca-Cola | 2.9:1 | Fanta |
| Japan | Coca-Cola | 3.6:1 | Fanta |
| Korea | Coca-Cola | 2.9:1 | Korean Brand |
| Norway | Coca-Cola | 4.8:1 | Coca-Cola light |
| South Africa | Coca-Cola | 6.3:1 | Sparletta |
| Spain | Coca-Cola | 3.5:1 | Fanta |
| Sweden | Coca-Cola | 5.4:1 | Fanta |

Share of soft-drink sales. Source: Company data/store audit data.

**Over second-place brand.

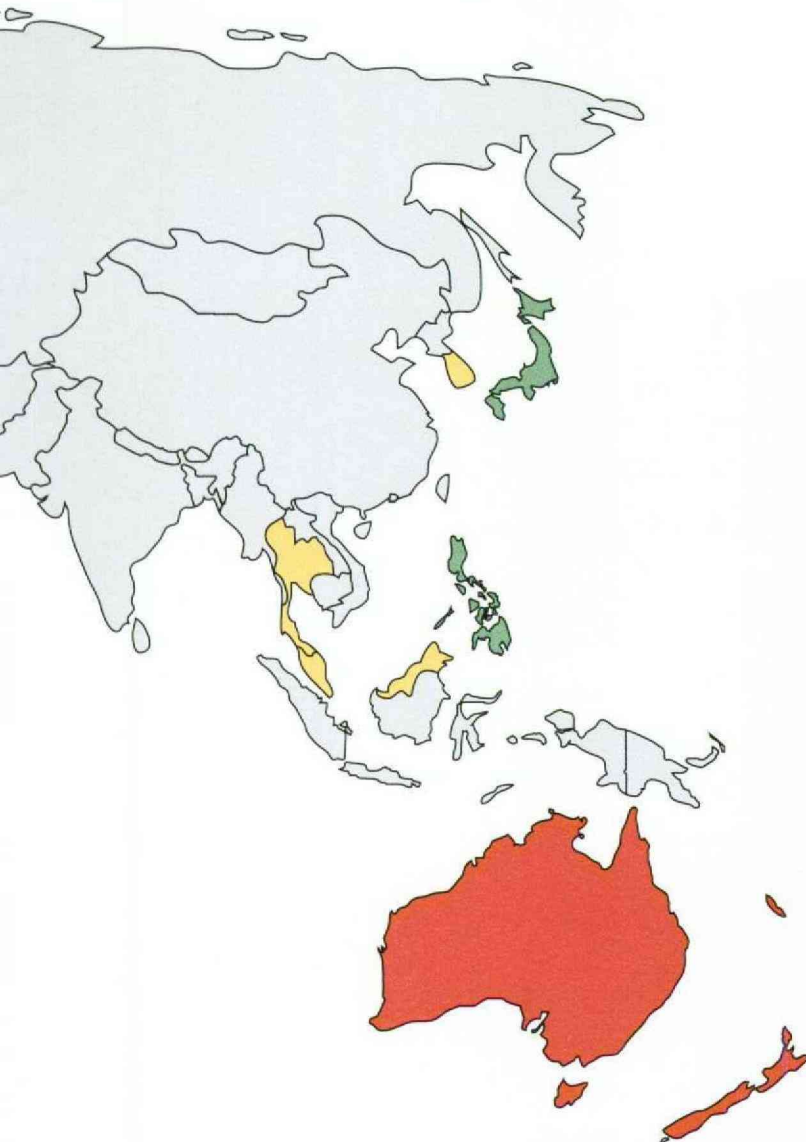
***Orangina, a brand that we have announced plans to acquire.

Our World of Opportunity

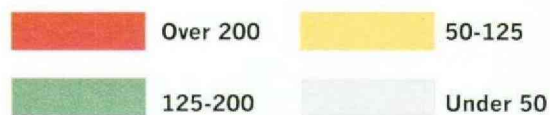


Worldwide, we're already focused on our next billion servings. Seventy percent of the world's population live in countries where our per capita consumption is less than 50 servings per person per year — they're

drinking our products less than once a week. Even in our more developed countries, like the United States, we have ample opportunity to increase the number of occasions when people enjoy our products every day.



Per Capita Consumption:



Per Capita Consumption and Market Populations

| Market | Population in Millions | Per Capita* |
|-----------------|------------------------|-------------|
| China | 1,244 | 6 |
| India | 960 | 3 |
| United States | 272 | 376 |
| Indonesia | 203 | 10 |
| Brazil | 163 | 134 |
| Russia | 148 | 21 |
| Japan | 126 | 150 |
| Mexico | 94 | 371 |
| Germany | 82 | 203 |
| Philippines | 71 | 130 |
| Egypt | 64 | 28 |
| France | 59 | 88 |
| Thailand | 59 | 69 |
| Great Britain | 57 | 118 |
| Italy | 57 | 95 |
| Korea | 46 | 71 |
| South Africa | 43 | 155 |
| Spain | 40 | 201 |
| Colombia | 37 | 116 |
| Argentina | 36 | 207 |
| Benelux/Denmark | 32 | 196 |
| Canada | 30 | 196 |
| Morocco | 28 | 61 |
| Romania | 23 | 57 |
| Venezuela | 23 | 219 |
| Australia | 18 | 276 |
| Chile | 15 | 325 |
| Zimbabwe | 12 | 69 |
| Hungary | 10 | 153 |
| Israel | 6 | 267 |
| Norway | 4 | 272 |

*Eight-ounce servings of Company beverages per person per year (excludes products distributed by The Minute Maid Company).

Selected Market Results: Estimated 1997 Volume

| | Unit Case ¹ Growth | | | | | | Soft Drinks | Total Beverages ² | |
|--|-------------------------------|-----------------------|------------------------------|-----------------------|----------------------|-----------------------|----------------------------|------------------------------|--------------------------------|
| | 10-Year Average Annual Growth | | 5-Year Average Annual Growth | | 1997 Annual Growth | | 1997 | 1997 | |
| | Company ³ | Industry ⁴ | Company ³ | Industry ⁴ | Company ³ | Industry ⁴ | Company Share ⁵ | Company Share ⁶ | Company Per Capita Consumption |
| Worldwide | 7% | 4% | 8% | 4% | 9% | 5% | 50% | 2% | 61 |
| North America Group ⁶ | 5 | 3 | 6 | 3 | 6 | 3 | 44 | 12 | 358 |
| United States | 5 | 3 | 6 | 3 | 6 | 3 | 44 | 13 | 376 |
| Greater Europe Group | 9 | 3 | 8 | 4 | 11 | 6 | 48 | 3 | 89 |
| East Central Europe | 19 | 10 | 22 | 11 | 15 | 10 | 46 | 2 | 57 |
| France | 13 | 5 | 10 | 3 | 18 | 9 | 55 | 3 | 88 |
| Germany | 6 | 2 | 2 | 0 | 2 | 1 | 57 | 7 | 203 |
| Great Britain | 7 | 4 | 5 | 2 | 3 | 3 | 34 | 4 | 118 |
| Italy | 3 | 4 | 0 | 4 | 12 | 7 | 45 | 3 | 95 |
| Nordic & Northern Eurasia | 15 | (3) | 20 | 6 | 30 | 9 | 41 | 1 | 37 |
| Spain | 7 | 4 | 5 | 3 | 11 | 6 | 56 | 7 | 201 |
| Middle and Far East Group ⁷ | 9 | 7 | 11 | 8 | 10 | 6 | 43 | 1 | 19 |
| Australia | 6 | 3 | 6 | 4 | 4 | 7 | 63 | 9 | 276 |
| China | 41 | 13 | 35 | 14 | 30 | 14 | 30 | 0 | 6 |
| Japan ⁷ | 6 | 0 | 4 | (1) | 5 | 1 | 37 | 5 | 150 |
| Korea | 5 | 4 | 1 | 0 | (2) | 3 | 57 | 2 | 71 |
| Middle East & North Africa | 9 | 5 | 16 | 5 | 17 | (1) | 38 | 1 | 28 |
| Philippines | 7 | 6 | 10 | 11 | 14 | 18 | 73 | 4 | 130 |
| Africa Group | 6 | 4 | 6 | 3 | 12 | 11 | 79 | 1 | 27 |
| Northern Africa | 6 | 2 | 7 | 2 | 13 | 12 | 79 | 1 | 15 |
| Southern Africa | 7 | 5 | 5 | 3 | 11 | 10 | 80 | 3 | 80 |
| Latin America Group | 7 | 4 | 9 | 6 | 12 | 7 | 60 | 6 | 187 |
| Argentina | 4 | 2 | 5 | 4 | 13 | 13 | 62 | 7 | 207 |
| Brazil | 6 | 6 | 11 | 14 | 2 | 4 | 52 | 5 | 134 |
| Chile | 15 | 13 | 14 | 9 | 13 | 9 | 72 | 11 | 325 |
| Colombia | 3 | (2) | 4 | (4) | 5 | (7) | 58 | 4 | 116 |
| Mexico | 8 | 4 | 7 | 2 | 11 | 6 | 67 | 13 | 371 |

¹ Unit case equals 24 eight-ounce servings.² Consists of all beverages, including tap water.³ Derived from unit case volume.⁴ Includes soft drinks only.⁵ Derived by dividing our unit case volume in ounces in a given market by the product of that market's population multiplied by the commonly accepted norm for daily fluid intake, 64 ounces, multiplied by the number of days in a year.⁶ Consists of United States and Canada.⁷ Company share of soft drinks includes our noncarbonated beverages in Japan and conforms with Japanese industry standards.

Our mission is to maximize share-owner value over time. To create long-term value, The Coca-Cola Company and its subsidiaries (our Company) execute a comprehensive business strategy driven by four key objectives. We strive to (1) increase volume, (2) expand our share of beverage sales worldwide, (3) maximize our long-term cash flows and (4) improve economic profit and create economic value added. We achieve these goals by strategically investing in the high-return beverages business and by optimizing our cost of capital through appropriate financial policies.

Investments

With a global business system that operates in nearly 200 countries and generates superior cash flows, our Company is uniquely positioned to capitalize on profitable new investment opportunities. Our criterion for investment is simple: New investments must directly enhance our existing operations and must be expected to provide cash returns that exceed our long-term, after-tax, weighted-average cost of capital, currently estimated at approximately 11 percent.

Because it consistently generates high returns, our business, beverages, is a particularly attractive investment for us. In emerging and still-developing markets, our Company's main objective is to increase the penetration of our products. In these markets, the bulk of our investments are for infrastructure enhancements such as production facilities, distribution networks, sales equipment and technology. We make these investments by acquiring or forming strategic business alliances with local bottlers and by matching local expertise with our experience, resources and focus. In highly developed markets, our expenditures are primarily for marketing activities.

Currently, 50 percent of the world's population live in markets where the average person consumes fewer than 10 servings of our beverages per year. For example, the emerging markets of China, India, Indonesia and Russia represent approximately 44 percent of the world's population, yet, on a combined basis, the average per capita consumption of our products in these markets is less than 2 percent of the United States' level. We continue to invest aggressively in these areas.

Our investment strategy focuses on the four fundamental components of our business: bottling operations, capital expenditures, marketing activities and people.

Bottling Operations — Our Company has business relationships with three types of bottlers: (1) independently owned bottlers, in which we have no ownership interest; (2) bottlers in which we have invested and have a noncontrolling ownership interest; and (3) bottlers in which we have invested and have a controlling ownership interest.

During 1997, independently owned bottling operations produced and distributed approximately 37 percent of our worldwide unit case volume. Bottlers in which we own a noncontrolling ownership interest produced and distributed

approximately 50 percent of our 1997 worldwide unit case volume while controlled bottling and fountain operations produced and distributed approximately 13 percent of 1997 worldwide unit case volume.

The reason we invest in bottling operations is to maximize the strength and efficiency of our production, distribution and marketing systems around the world. These investments often result in increases in unit case volume, net revenues and profits at the bottler level, which in turn generate increased gallon shipments for our concentrate business. As a result, both our Company and the bottlers benefit from long-term growth in volume, improved cash flows and increased share-owner value.

The level of our investment generally depends on the bottler's capital structure and its available resources at the time of our investment. In certain situations, it can be advantageous to acquire a controlling interest in a bottling operation. Although it is not our primary long-term business strategy, owning a controlling interest allows us to compensate for limited local resources and enables us to help focus these bottlers' sales and marketing programs, assist in developing their business and information systems, and establish appropriate capital structures.

In 1997, we purchased the bottling assets of three South Korean bottlers. Also in 1997, the Indian government approved our plan to invest in Indian bottling operations, allowing us to set up an integrated bottling system in India. Previously, we acquired controlling interests in certain bottling operations in Italy in 1996 and 1995. By providing capital and marketing expertise to newly acquired bottlers, we strengthen their ability to deliver our Company's brands to customers and consumers.

In line with our long-term bottling strategy, we periodically consider options for reducing our ownership interest in a consolidated bottler. One option for reducing our ownership interest is to combine our bottling interests with the bottling interests of others to form strategic business alliances. Another option is to sell our interest in a consolidated bottling operation to one of our equity investee bottlers. In both of these situations, we continue participating in the previously consolidated bottler's earnings through our portion of the equity investee's income.

Consistent with our strategy, in early 1998, we announced a proposal for our consolidated bottling operations in northern and central Italy to become part of a new publicly traded European bottler, Coca-Cola Beverages. Coca-Cola Beverages will be formed upon the completion of a proposed spin-off by Coca-Cola Amatil Limited (Coca-Cola Amatil) of its European operations. After the spin-off, these Italian bottling operations will be acquired by Coca-Cola Beverages for both cash and shares of Coca-Cola Beverages stock in a transaction valued at approximately \$979 million. Additionally, once the proposed spin-off has been completed, our bottling operations in South Korea will be acquired by Coca-Cola Amatil for shares of stock in Coca-Cola Amatil in a transaction valued at approximately \$588 million. The proposed transactions are subject to certain conditions, including approvals by holders of ordinary shares

of Coca-Cola Amatil stock and applicable regulatory authorities.

In 1996, we sold our consolidated bottling and canning operations in France and Belgium to Coca-Cola Enterprises Inc. (Coca-Cola Enterprises). We also formed a strategic business alliance in Germany, Coca-Cola Erfrischungsgetränke AG (CCEAG), in 1996 through the merger of our then wholly owned east German bottler with three independent bottlers. In 1997, we merged our consolidated bottling operation in Germany, Coca-Cola Rhein-Ruhr, into CCEAG. Currently, we have a 45 percent interest in CCEAG.

Also in 1996, we combined our bottling interests in Venezuela with the Cisneros Group's bottling companies to form a new joint venture, Embotelladora Coca-Cola y Hit de Venezuela, S.A. (Coca-Cola y Hit). In 1997, our Company and the Cisneros Group sold our respective interests in Coca-Cola y Hit to Panamerican Beverages, Inc. (Panamco) in exchange for shares of Panamco stock. At the completion of this transaction, our ownership in Panamco was approximately 23 percent, and we began accounting for our investment by the equity method.

As stated earlier, our investments in a bottler can represent either a noncontrolling or a controlling interest. Through non-controlling investments in bottling companies, we provide expertise and resources to strengthen those businesses. In 1997, we increased our interest in Grupo Continental, S.A., a bottler in Mexico, from 18 percent to 20 percent; our interest in Embotelladoras Polar S.A., a bottler headquartered in Chile, from 17 percent to 19 percent; and our interest in Embotelladora Andina S.A., another bottler headquartered in Chile, from 6 percent to 11 percent.

Certain bottling operations in which we have a noncontrolling ownership interest are designated as "anchor bottlers" due to their level of responsibility and performance. Anchor bottlers are strongly committed to their own profitable growth which, in turn, helps us meet our strategic goals and furthers the interests of our worldwide production, distribution and marketing systems. Anchor bottlers tend to be large and geographically diverse with strong financial and management resources. In 1997, our anchor bottlers produced and distributed approximately 38 percent of our total worldwide unit case volume. Anchor bottlers give us strong partners on every major continent.

Upon its formation, Coca-Cola Beverages, the Coca-Cola Amatil spin-off which will operate in Europe, will be designated as our tenth anchor bottler. Additionally, we designated Coca-Cola Nordic Beverages (CCNB) as an anchor bottler in 1997. CCNB, a joint venture in which Carlsberg A/S will own a 51 percent interest and we will own a 49 percent interest, has bottling operations in Denmark and Sweden.

In 1997, our Company and San Miguel Corporation (San Miguel) sold Coca-Cola Bottlers Philippines, Inc. to Coca-Cola Amatil in exchange for shares of Coca-Cola Amatil stock. Also in 1997, we sold to Coca-Cola Enterprises our 49 percent interest in Coca-Cola & Schweppes Beverages Ltd., a

bottler in Great Britain; our 48 percent interest in Coca-Cola Beverages Ltd. of Canada; and our 49 percent interest in The Coca-Cola Bottling Company of New York, Inc.

In line with our established investment strategy, our bottling investments have been profitable over time. For bottling investments that are accounted for by the equity method, we measure the profitability of our bottling investments in two ways — equity income and the excess of the fair values over the carrying values of our investments. Equity income, which is included in our consolidated net income, represents our share of the net earnings of our investee companies. In 1997, equity income was \$155 million. The following table illustrates the excess of the calculated fair values, based on quoted closing prices of publicly traded shares, over our Company's carrying values for selected equity method investees (in millions):

| December 31, | Fair Value | Carrying Value | Excess |
|-------------------------------------|------------|----------------|-----------------|
| 1997 | | | |
| Coca-Cola Enterprises Inc. | \$ 6,008 | \$ 184 | \$ 5,824 |
| Coca-Cola Amatil Limited | 2,122 | 1,204 | 918 |
| Panamerican Beverages, Inc. | 924 | 735 | 189 |
| Coca-Cola FEMSA, S.A. de C.V. | 827 | 87 | 740 |
| Grupo Continental, S.A. | 272 | 89 | 183 |
| Coca-Cola Bottling Co. Consolidated | 171 | 71 | 100 |
| | | | \$ 7,954 |

The excess of calculated fair values over carrying values for our investments illustrates the significant increase in the value of our investments. Although this excess value for equity method investees is not reflected in our consolidated results of operations or financial position, it represents a true economic benefit to us.

Capital Expenditures — Capital expenditures for property, plant and equipment and the percentage distribution by geographic area for 1997, 1996 and 1995 are as follows (in millions):

| Year Ended December 31, | 1997 | 1996 | 1995 |
|-------------------------|-----------------|--------|--------|
| Capital expenditures | \$ 1,093 | \$ 990 | \$ 937 |
| North America | 24% | 27% | 31% |
| Africa | 2% | 3% | 2% |
| Greater Europe | 30% | 38% | 41% |
| Latin America | 7% | 8% | 9% |
| Middle & Far East | 18% | 12% | 9% |
| Corporate | 19% | 12% | 8% |

In 1996, our Company launched Project Infinity, a strategic business initiative utilizing technology to integrate business systems across our global enterprise over the next several years. In 1997, we began testing a limited version of the Project Infinity software technology and anticipate rolling it out to certain divisions in late 1998. Project Infinity will enhance

our competitiveness by supplying immediate, detailed information about our financial position and the marketplace to our management, associates and bottlers worldwide. By giving our people real-time data, Project Infinity will increase our ability to recognize opportunities and make better and faster decisions about operations, marketing and finance. Project Infinity will require significant capital expenditures over the next several years. All related costs of business process reengineering activities have been expensed as incurred.

In December 1997, our Company signed a letter of intent with beverage company Pernod Ricard to purchase its Orangina brands, three bottling operations and one concentrate plant in France for approximately 5 billion French francs (approximately \$850 million based on December 1997 exchange rates). This transaction is subject to approvals from regulatory authorities.

Marketing Activities — In addition to investing in our bottling and distribution infrastructure, we make significant expenditures in marketing to support our trademarks. We define marketing as anything we do to create consumer demand for our brands. We focus on continually finding new ways to differentiate our products and build value into all our brands. Marketing spending enhances consumer awareness and increases consumer preference for our brands. This produces growth in volume, per capita consumption and our share of worldwide beverage sales.

We heighten consumer awareness and product appeal for our trademarks using integrated marketing programs. Through our bottling investments and strategic alliances with other bottlers of our products, we create and implement these programs worldwide. In developing a global strategy for a Company trademark, we conduct product and packaging research, establish brand positioning, develop precise consumer communications and solicit consumer feedback. Our integrated marketing programs include activities such as advertising, point-of-sale merchandising and product sampling.

To maximize the impact of our advertising expenditures, we assign specific brands to individual advertising agencies. This approach enables us to increase accountability and enhance each brand's global positioning.

People — Our continued success depends on recruiting, training and retaining people who can quickly identify and act on profitable business opportunities. This means maintaining and refining a corporate culture that encourages learning, innovation and value creation on a daily basis. The Coca-Cola Learning Consortium works with the management of our entire system to foster learning as a core capability. This group helps build the culture, systems and processes our people need to develop the knowledge and skills to take advantage of new opportunities.

Financial Strategies

We use several strategies to optimize our cost of capital, which is a key component of our ability to maximize share-owner value.

Debt Financing — Our Company maintains debt levels considered prudent based on our cash flow, interest coverage and percentage of debt to capital. We use debt financing to lower our overall cost of capital, which increases our return on share-owners' equity.

Our capital structure and financial policies have earned long-term credit ratings of "AA-" from Standard & Poor's and "Aa3" from Moody's, and the highest credit ratings available for our commercial paper programs.

Our global presence and strong capital position give us easy access to key financial markets around the world, enabling us to raise funds with a low effective cost. This posture, coupled with the active management of our mix of short-term and long-term debt, results in a lower overall cost of borrowing. Our debt management policies, in conjunction with our share repurchase programs and investment activity, typically result in current liabilities exceeding current assets.

In managing our use of debt capital, we consider the following financial measurements and ratios:

| Year Ended December 31, | 1997 | 1996 | 1995 |
|---------------------------------------|--------|--------|--------|
| Net debt (in billions) | \$ 2.0 | \$ 2.8 | \$ 2.6 |
| Net debt-to-net capital | 22% | 31% | 32% |
| Free cash flow to net debt | 172% | 85% | 82% |
| Interest coverage | 22x | 17x | 16x |
| Ratio of earnings to fixed charges | 20.8x | 14.9x | 14.5x |

Net debt is debt in excess of cash, cash equivalents and marketable securities not required for operations and certain temporary bottling investments.

Share Repurchases — Our Company demonstrates confidence in the long-term growth potential of our business by our continued and consistent use of share repurchase programs. In 1992, our Board of Directors authorized a plan to repurchase up to 200 million shares of our Company's common stock through the year 2000. In 1997, we repurchased approximately 20 million shares under the 1992 plan. Through 1997, we had repurchased 187 million shares under the 1992 plan.

In October 1996, our Board of Directors authorized a new program to repurchase 206 million additional shares through the year 2006.

Since the inception of our initial share repurchase program in 1984 through our current program as of December 31, 1997, we have repurchased more than 1 billion shares, representing 31 percent of the shares outstanding as of January 1, 1984, at an average price per share of \$11.27.

Dividend Policy — At its February 1998 meeting, our Board of Directors again increased our quarterly dividend to \$.15 per share, equivalent to a full-year dividend of \$.60 in 1998, our 36th consecutive annual increase. Our annual common stock dividend was \$.56 per share, \$.50 per share and \$.44 per share in 1997, 1996 and 1995, respectively.

In 1997, our dividend payout ratio was approximately 34 percent of our net income. To free up additional cash for reinvestment in our high-return beverages business, our Board of Directors intends to gradually reduce our dividend payout ratio to 30 percent over time.

Financial Risk Management

Our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates and foreign exchange rates, and to a lesser extent, to reduce our exposure to adverse fluctuations in commodity prices and other market risks. We do not enter into derivative financial instruments for trading purposes. As a matter of policy, all our derivative positions are used to reduce risk by hedging an underlying economic exposure. Because of the high correlation between the hedging instrument and the underlying exposure, fluctuations in the value of the instruments are generally offset by reciprocal changes in the value of the underlying exposure. The derivatives we use are straightforward instruments with liquid markets.

Our Company monitors our exposure to financial market risks using several objective measurement systems, including value-at-risk models. For the value-at-risk calculations discussed below, we used a historical simulation model to estimate potential future losses our Company could incur as a result of adverse movements in foreign currency and interest rates. We have not considered the potential impact of favorable movements in foreign currency and interest rates on our calculations. We examined historical weekly returns over the previous 10 years to calculate our value at risk. Our value-at-risk calculations do not purport to represent the actual losses that our Company expects to incur.

Foreign Currency — We manage most of our foreign currency exposures on a consolidated basis, which allows us to net certain exposures and take advantage of any natural offsets. With approximately 77 percent of our 1997 operating income generated outside the United States, weakness in one particular currency is often offset by strengths in others. We use derivative financial instruments to further reduce our net exposure to currency fluctuations.

Our Company enters into forward exchange contracts and purchases currency options (principally European currencies and Japanese yen) to hedge firm sale commitments denominated in foreign currencies. We also purchase currency options (principally European currencies and Japanese yen) to hedge certain anticipated sales. Premiums paid and realized gains and losses, including those on terminated contracts, if any, are included in

prepaid expenses and other assets. These are recognized in income, along with unrealized gains and losses, in the same period the hedged transactions are realized. Gains and losses on derivative financial instruments that are designated and effective as hedges of net investments in international operations are included in share-owners' equity as a foreign currency translation adjustment.

Our value-at-risk calculation estimates foreign currency risk on our derivative and other financial instruments. We have not included in our calculation the effects of currency movements on anticipated foreign currency denominated sales and other hedged transactions. According to our calculation, on December 31, 1997, we estimate with 95 percent confidence that the fair value of our derivative and other financial instruments would decline by less than \$58 million over a one-week period due to an adverse move in foreign currency exchange rates. However, we would expect that any loss in the fair value of our derivative and other financial instruments would be generally offset by an increase in the fair value of our underlying exposures.

Interest Rates — Our Company maintains our percentage of fixed and variable rate debt within defined parameters. We enter into interest rate swap agreements that maintain the fixed/variable mix within these parameters. Any differences paid or received on interest rate swap agreements are recognized as adjustments to interest expense over the life of each swap.

Our value-at-risk calculation estimates interest rate risk on our derivative and other financial instruments. According to our calculation, on December 31, 1997, we estimate with 95 percent confidence that any increase in our net interest expense due to an adverse move in interest rates over a one-week period would not have a material impact on our consolidated financial position, results of operations or cash flows.

Performance Tools

Economic profit and economic value added provide a framework by which we measure the value of our actions. We define economic profit as income from continuing operations after taxes, excluding interest, in excess of a computed capital charge for average operating capital employed. Economic value added represents the growth in economic profit from year to year. To ensure that our management team stays clearly focused on the key drivers of our business, economic value added and economic profit are used in determining annual incentive awards and long-term incentive awards for most eligible employees.

During 1996, we implemented a new tool to help us improve our performance — value-based management (VBM). VBM does not replace the economic value added concept; rather, it is a tool to manage economic profit. It requires us to think about creating value in everything we do, every day.

VBM's principles assist us in managing economic profit by clarifying our understanding of what creates value and what destroys it and encouraging us to manage for increased value.

With VBM, we determine how best to create value in every area of our business. We believe that using VBM as a planning and execution tool, and economic profit as a performance measurement tool, greatly enhances our ability to build shareholder value over time.

Total Return to Share Owners

Our Company has provided share owners with an excellent return on their investment over the past decade. A \$100 investment in our Company's common stock on December 31, 1987, together with reinvested dividends, grew in pretax value to approximately \$1,643 on December 31, 1997, an average annual compound return of 32 percent.

Management's Discussion and Analysis

Our Business

We are the largest manufacturer, distributor and marketer of soft-drink beverage concentrates and syrups in the world. Our Company manufactures beverage concentrates and syrups and, in certain instances, finished beverages, which we sell to bottling and canning operations, authorized fountain wholesalers and some fountain retailers. In addition, we have ownership interests in numerous bottling and canning operations. We are also the world's largest distributor and marketer of juice and juice-drink products.

We own some of the world's most valuable brands, more than 160 brands in all. These include soft drinks and noncarbonated beverages such as sports drinks, juice drinks, milk products, water products, teas and coffees.

Volume

We measure our sales volume in two ways: (1) gallon shipments of concentrates and syrups and (2) unit cases of finished product. Gallon shipments represent our primary business and measure the volume of concentrates and syrups we sell to our bottling system. Most of our revenues are based on this measure of "wholesale" activity. We also measure volume in unit cases, which represent the amount of finished product our bottling system sells to retail customers. We believe unit case volume more accurately measures the underlying strength of our business system because it measures trends at the retail level. We include fountain syrups sold directly to our customers in both measures.

In 1997, our worldwide unit case volume increased 9 percent, on top of an 8 percent increase in 1996. Our business system sold 14.9 billion unit cases in 1997, an increase of 1.2 billion unit cases over 1996. Our 1997 results are the product of years of systematically investing not only in marketing, but also in our worldwide infrastructure that includes bottlers, capital, information systems and people.

Operations

Net Operating Revenues and Gross Margin — On a consolidated basis, our net revenues increased 1 percent and our gross profit grew 8 percent in 1997. The growth in revenues reflects gallon shipment increases and price increases in certain markets, offset by the full-year impact of the sale of previously consolidated bottling and canning operations in France, Belgium and eastern Germany in 1996 as well as the effects of a stronger U.S. dollar. Our gross profit margin increased to 68 percent in 1997 from 64 percent in 1996, primarily due to the sale in 1996 of previously consolidated bottling operations, which shifted proportionately more revenue to our higher margin concentrate business.

On a consolidated basis, our net revenues grew 3 percent and our gross profit grew 7 percent in 1996. The increase in revenues was due primarily to an increase in gallon shipments and selective price increases offset by a stronger U.S. dollar and the disposition of our French, Belgian and east German bottling and canning operations. Our gross profit margin increased to 64 percent in 1996 from 62 percent in 1995, primarily due to the sale of our previously consolidated bottling and canning operations as well as favorable results from changes in our product mix. Additionally, gross margins improved in 1996 due to favorable price variances in raw materials, such as packaging, at our consolidated bottlers.

Selling, Administrative and General Expenses — Selling expenses were \$6,244 million in 1997, \$6,018 million in 1996 and \$5,508 million in 1995. The increases in 1997 and 1996 were primarily due to higher marketing expenditures in support of our Company's volume growth.

Administrative and general expenses totaled \$1,608 million in 1997, \$2,002 million in 1996 and \$1,653 million in 1995. The decrease in 1997 was principally due to certain nonrecurring provisions recorded in 1996, as discussed below, partially offset by a \$60 million nonrecurring provision recorded in 1997 related to enhancing manufacturing efficiencies in North America.

Administrative and general expenses increased in 1996 due to certain nonrecurring provisions. In the third quarter of 1996, we recorded provisions of approximately \$276 million in administrative and general expenses related to our plans for strengthening our worldwide system. Of this \$276 million, approximately \$130 million related to streamlining our operations, primarily in Greater Europe and Latin America. Our management took actions to consolidate certain manufacturing operations and, as a result, recorded charges to recognize the impairment of certain manufacturing assets and the estimated losses on the disposal of other assets. The remainder of this \$276 million provision was for impairment charges to certain production facilities and reserves for losses on the disposal of other production facilities of The Minute Maid Company.

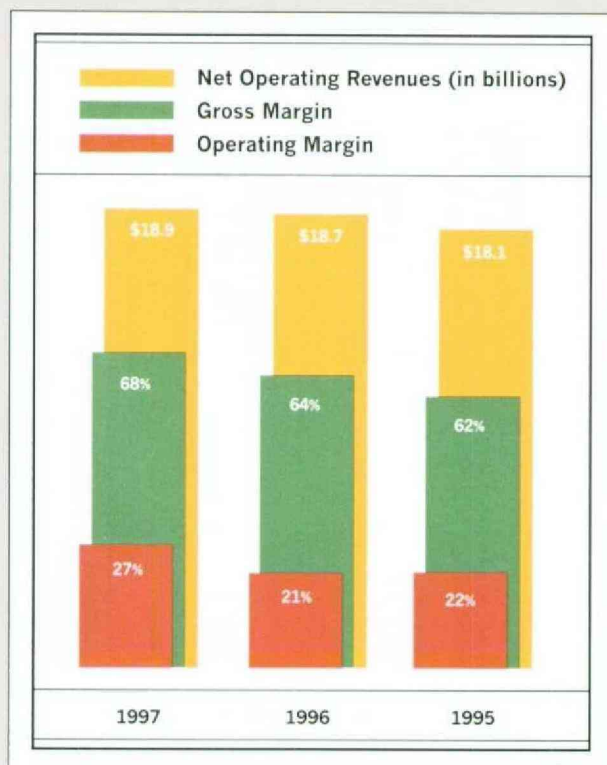
Also in the third quarter of 1996, we recorded in administrative

and general expenses an \$80 million impairment charge to recognize Project Infinity's impact on existing information systems and a \$28.5 million charge as a result of our decision to make a contribution to The Coca-Cola Foundation, a not-for-profit charitable organization.

Administrative and general expenses, as a percentage of net operating revenues, were approximately 9 percent in 1997, 11 percent in 1996 and 9 percent in 1995.

Operating Income and Operating Margin — On a consolidated basis, our operating income increased 28 percent in 1997, following a 3 percent decrease in 1996. The increase in 1997 was due to increased gallon shipments coupled with an increase in gross profit margins, as well as the recording of several nonrecurring provisions in the third quarter of 1996. In addition, the curtailment of concentrate shipments decreased 1996 operating income by an estimated \$290 million. Our consolidated operating margin was 27 percent in 1997 and 21 percent in 1996.

Margin Analysis



Interest Income and Interest Expense — In 1997, our interest income decreased 11 percent due primarily to decreases in international interest rates. Interest expense decreased 10 percent in 1997 due to lower average commercial paper borrowings.

In 1996, our interest income decreased 3 percent, due primarily to lower average short-term investments and lower average interest rates in Latin America. Interest expense increased 5 percent in 1996, due to higher average debt balances.

Equity Income — Equity income decreased 27 percent to \$155 million in 1997, due primarily to the significant amount of structural change in our global bottling system, which was partially offset by solid results at key equity bottlers.

Equity income increased 25 percent to \$211 million in 1996, due primarily to stronger operating performances by Coca-Cola Enterprises, Coca-Cola Beverages Ltd. of Canada and The Coca-Cola Bottling Company of New York, Inc.

Other Income-Net — In 1997, other income-net increased \$496 million and includes gains totaling \$508 million on the sales of our interests in Coca-Cola & Schweppes Beverages Ltd., Coca-Cola Beverages Ltd. of Canada and The Coca-Cola Bottling Company of New York, Inc. Gains on other bottling transactions are also included in other income-net.

In 1996, other income-net increased \$1 million and included gains recorded on the sale of our bottling and canning operations in France and Belgium, as well as gains on other bottling transactions.

Gains on Issuances of Stock by Equity Investees — In 1997, our Company and San Miguel sold our respective interests in Coca-Cola Bottlers Philippines, Inc. to Coca-Cola Amatil in exchange for approximately 293 million shares of Coca-Cola Amatil stock. In connection with this transaction, Coca-Cola Amatil issued to San Miguel approximately 210 million shares valued at approximately \$2.4 billion. The issuance to San Miguel resulted in a one-time noncash pretax gain for our Company of approximately \$343 million, and resulted in our 36 percent interest in Coca-Cola Amatil being diluted to approximately 33 percent.

Also in 1997, our Company and the Cisneros Group sold our respective interests in Coca-Cola y Hit to Panamco in exchange for approximately 30.6 million shares of Panamco stock. In connection with this transaction, Panamco issued to the Cisneros Group approximately 13.6 million shares valued at approximately \$402 million. The issuance to the Cisneros Group resulted in a one-time noncash pretax gain for our Company of approximately \$20 million. At the completion of this transaction, our ownership in Panamco was approximately 23 percent.

In 1996, Coca-Cola Amatil issued approximately 46 million shares in exchange for approximately \$522 million. This issuance reduced our ownership in Coca-Cola Amatil from approximately 39 percent to approximately 36 percent and resulted in a noncash pretax gain for our Company of approximately \$130 million.

Also in 1996, Coca-Cola Erfrischungsgetränke G.m.b.H. (CEEG), our wholly owned east German bottler, issued new shares to effect a merger with three independent German bottling operations. The shares were valued at approximately \$925 million, based upon the fair values of the assets of the three acquired bottling companies. Approximately 24.4 million shares were issued, resulting in a noncash pretax gain

of approximately \$283 million for our Company. We own a 45 percent interest in the resulting anchor bottler, CCEAG.

In 1996, Coca-Cola FEMSA de Buenos Aires, S.A. (CCFBA) issued approximately 19 million shares to Coca-Cola FEMSA, S.A. de C.V. This issuance reduced our ownership in CCFBA from 49 percent to approximately 32 percent. We recognized a noncash pretax gain of approximately \$18 million as a result of this transaction. In subsequent transactions, our Company disposed of its remaining interest in CCFBA.

Income Taxes — Our effective tax rates were 31.8 percent in 1997, 24.0 percent in 1996 and 31.0 percent in 1995. Our 1997 effective tax rate of 31.8 percent reflects tax benefits derived from significant operations outside the United States, which are taxed at rates lower than the U.S. statutory rate of 35 percent, partially offset by the tax impact of certain gains recognized from previously discussed bottling transactions. These transactions are generally taxed at rates higher than our Company's effective rate on operations.

In the third quarter of 1996, our Company reached an agreement in principle with the U.S. Internal Revenue Service (IRS) settling certain U.S.-related income tax matters, including issues in litigation related to our operations in Puerto Rico dating back to 1981 and extending through 1995. This settlement resulted in a one-time reduction of \$320 million to our 1996 income tax expense as a result of a reversal of previously accrued income tax liabilities and reduced our effective tax rate in 1996. Excluding the favorable impact of the settlement with the IRS, our 1996 effective tax rate would have been 31.0 percent.

Income Per Share — Accelerated by our Company's share repurchase program, our basic net income per share grew 19 percent in 1997, 1996 and 1995, and diluted net income per share grew 19 percent in 1997, 18 percent in 1996 and 19 percent in 1995.

Liquidity and Capital Resources

We believe our ability to generate cash from operations in excess of our capital reinvestment and dividend requirements is one of our fundamental financial strengths. We anticipate that our operating activities in 1998 will continue to provide us with sufficient cash flows to meet all our financial commitments and to capitalize on opportunities for business expansion.

Free Cash Flow — Free cash flow is the cash remaining from operations after we have satisfied our business reinvestment opportunities. We focus on increasing free cash flow to achieve our primary objective, maximizing share-owner value over time. We use free cash flow, along with borrowings, to pay dividends and make share repurchases.

The consolidated statements of our cash flows are summarized as follows (in millions):

| Year Ended December 31, | 1997 | 1996 | 1995 |
|------------------------------------|---------------|---------------|-----------------|
| Cash flows provided by (used in): | | | |
| Operations | \$ 4,033 | \$ 3,463 | \$ 3,328 |
| Investment activities | (500) | (1,050) | (1,226) |
| Free Cash Flow | 3,533 | 2,413 | 2,102 |
| Cash flows used in: | | | |
| Financing | | | |
| Share repurchases | (1,262) | (1,521) | (1,796) |
| Other financing activities | (1,833) | (581) | (482) |
| Exchange | (134) | (45) | (43) |
| Increase (decrease) in cash | \$ 304 | \$ 266 | \$ (219) |

Cash provided by operations in 1997 amounted to \$4.0 billion, a 16 percent increase from 1996. This increase is primarily due to growth in net income in 1997. In 1996, cash provided by operations amounted to \$3.5 billion, a 4 percent increase from 1995. This increase resulted from the continued growth of our business and includes the cash effect of significant items recorded in 1996. These items have been discussed previously in Management's Discussion and Analysis on pages 37 through 39.

In 1997, net cash used in investment activities decreased from 1996, primarily due to the increase in proceeds from the disposal of investments and other assets including the dispositions of our interests in Coca-Cola & Schweppes Beverages Ltd., The Coca-Cola Bottling Company of New York, Inc. and Coca-Cola Beverages Ltd. of Canada. The growth in proceeds from disposals was partially offset by increased acquisitions and investments, primarily in bottling operations, including the South Korean bottlers. In 1996, net cash used in investment activities decreased from 1995, also due to the increase in proceeds from the disposal of investments and other assets including the disposition of our bottling and canning operations in France and Belgium. The increase in proceeds from disposals was partially offset by significant acquisitions and investments, including our investment in Coca-Cola y Hit.

Financing Activities — Our financing activities include net borrowings, dividend payments and share repurchases. Net cash used in financing activities totaled \$3.1 billion in 1997, \$2.1 billion in 1996 and \$2.3 billion in 1995. The change between 1997 and 1996 was primarily due to net reductions of debt in 1997 compared to net borrowings of debt in 1996. Cash used to purchase common stock for treasury was \$1.3 billion in 1997 versus \$1.5 billion in 1996.

Commercial paper is our primary source of short-term financing. On December 31, 1997, we had \$2.6 billion outstanding in commercial paper borrowings. In addition, we had \$.9 billion in lines of credit and other short-term credit facilities available, \$.1 billion of which was outstanding. The 1997 reduction in

loans and notes payable was funded by proceeds received from the sale of certain bottling interests, as discussed previously.

Exchange — Our international operations are subject to certain opportunities and risks, including currency fluctuations and government actions. We closely monitor our operations in each country so we can quickly and decisively respond to changing economic and political environments and to fluctuations in foreign currencies and interest rates.

We use approximately 50 functional currencies. Due to our global operations, weaknesses in some of these currencies are often offset by strengths in others. In 1997, 1996 and 1995, the weighted-average exchange rates for a basket of selected foreign currencies, and certain individual currencies, strengthened (weakened) against the U.S. dollar as follows:

| Year Ended December 31, | 1997 | 1996 | 1995 |
|-------------------------|-------|-------|------|
| Basket of currencies | (10)% | (8)% | Even |
| Australian dollar | (7)% | 6 % | 1 % |
| British pound | 4 % | Even | 3 % |
| Canadian dollar | (1)% | Even | Even |
| French franc | (12)% | (4)% | 13 % |
| German mark | (13)% | (6)% | 13 % |
| Japanese yen | (10)% | (15)% | 9 % |

These percentages do not include the effects of our hedging activities and, therefore, do not reflect the actual impact of fluctuations in exchange on our operating results. Our foreign currency management program mitigates over time a portion of our exchange risks.

The change in our foreign currency translation adjustment in 1997 and 1996 was primarily due to the revaluation of net assets located in countries where the local currency significantly weakened against the U.S. dollar. Exchange gains (losses)-net amounted to \$(56) million in 1997, \$3 million in 1996 and \$(21) million in 1995, and were recorded in other income-net. Exchange gains (losses)-net includes the remeasurement of certain currencies into functional currencies and the costs of hedging certain of our balance sheet exposures.

Additional information concerning our hedging activities is presented on pages 53 through 55.

Financial Position

The carrying value of our investment in Coca-Cola Enterprises decreased in 1997 as a result of deferred gains related to the sales of our interests in Coca-Cola & Schweppes Beverages Ltd., Coca-Cola Beverages Ltd. of Canada and The Coca-Cola Bottling Company of New York, Inc. to Coca-Cola Enterprises. The deferred gains result from our approximate 44 percent ownership in Coca-Cola Enterprises. The carrying value of our investment in Coca-Cola Amatil increased in 1997 due to Coca-Cola Amatil issuing shares to San Miguel Corporation at

a value per share greater than the carrying value per share of our interest in Coca-Cola Amatil. Our equity method investments also increased in 1997 due to our change from the cost method to the equity method in accounting for Panamco and Grupo Continental, S.A., and due to increased investments in other bottling operations. Our cost method investments declined due to the change in accounting for Panamco and Grupo Continental, S.A., partially offset by additional investments in Embotelladoras Polar S.A. and Embotelladora Andina S.A. Unrealized gain on available-for-sale securities, a component of share-owners' equity, is comprised of adjustments to report our marketable cost method investments at fair value. During 1997, unrealized gain on securities decreased \$98 million due primarily to the change in accounting for Panamco and Grupo Continental, S.A.

The 1996 decrease in our accounts receivable, inventories, property, plant and equipment, goodwill, and accounts payable and accrued expenses was primarily due to the disposition of our previously consolidated bottling and canning operations in France and Belgium and the deconsolidation of our previously consolidated east German bottler. In 1996, our equity method investments increased primarily due to our investments in CCEAG and Coca-Cola y Hit. The 1996 increase in cost method investments included our investment in Embotelladoras Polar S.A., Embotelladora Andina S.A., Panamco and noncash adjustments that increased our investments to fair value. The decrease in accrued income taxes was directly attributable to our 1996 settlement with the IRS, whereby \$320 million of previously accrued income tax liabilities was reversed as a reduction of income tax expense.

Impact of Inflation and Changing Prices

Inflation is a factor that affects the way we operate in many markets around the world. In general, we are able to increase prices to counteract the effects of increasing costs and to generate sufficient cash flows to maintain our productive capability.

Year 2000

In prior years, certain computer programs were written using two digits rather than four to define the applicable year. These programs were written without considering the impact of the upcoming change in the century and may experience problems handling dates beyond the year 1999. This could cause computer applications to fail or to create erroneous results unless corrective measures are taken. Incomplete or untimely resolution of the Year 2000 issue could have a material adverse impact on our Company's business, operations or financial condition in the future.

Our Company has been assessing the impact that the Year 2000 issue will have on our computer systems since 1995. In response to these assessments, which are ongoing, our Company has developed a plan to inventory critical systems and develop solutions to those systems that are found to have date-related

deficiencies. Project plans call for the completion of the solution implementation phase and testing of those solutions prior to any anticipated impact on our systems. Our Company is also surveying critical suppliers and customers to determine the status of their Year 2000 compliance programs.

Based on our work to date, and assuming that our project plans, which continue to evolve, can be implemented as planned, we believe future costs relating to the Year 2000 issue will not have a material impact on our Company's consolidated financial position, results of operations or cash flows.

Outlook

While we cannot predict future performance, we believe considerable opportunities exist for sustained, profitable growth, not only in the developing population centers of the world but also in our most established markets, including the United States. We firmly believe the strength of our brands, our unparalleled distribution system, our global presence, our strong financial condition and the skills of our people give us the flexibility to capitalize on these growth opportunities as we continue to pursue our goal of increasing share-owner value.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements made by or on behalf of our Company. Our Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in our Company's filings with the Securities and Exchange Commission and in our reports to share owners. All statements which address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to volume growth, share of sales and earnings per share growth or statements expressing general optimism about future operating results, are forward-looking statements within the meaning of the Act. The forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performance.

The following are some of the factors that could cause actual results to differ materially from estimates contained in our Company's forward-looking statements:

- The ability to generate sufficient cash flows to support capital expansion plans, share repurchase programs and general operating activities.
- Competitive product and pricing pressures and the ability to gain or maintain share of sales in the global market as a result of actions by competitors. While we believe our opportunities for sustained, profitable growth are considerable, unanticipated actions of competitors could impact our earnings, share of sales and volume growth.
- Changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations)

and environmental laws in domestic or foreign jurisdictions.

- Fluctuations in the cost and availability of raw materials and the ability to maintain favorable supplier arrangements and relationships.
- The ability to achieve earnings forecasts, which are generated based on projected volumes and sales of many product types, some of which are more profitable than others. There can be no assurance that we will achieve the projected level or mix of product sales.
- Interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations. Most of our exposures to capital markets, including interest and foreign currency, are managed on a consolidated basis, which allows us to net certain exposures and, thus, take advantage of any natural offsets. We use derivative financial instruments to reduce our net exposure to financial risks. There can be no assurance, however, that our financial risk management program will be successful in reducing foreign currency exposures.
- Economic and political conditions in international markets, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders.
- The ability to penetrate developing and emerging markets, which also depends on economic and political conditions, and how well we are able to acquire or form strategic business alliances with local bottlers and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology. Moreover, the supply of products in developing markets must match the customers' demand for those products, and due to product price and cultural differences, there can be no assurance of product acceptance in any particular market.
- The effectiveness of our advertising, marketing and promotional programs.
- The uncertainties of litigation, as well as other risks and uncertainties detailed from time to time in our Company's Securities and Exchange Commission filings.
- Adverse weather conditions, which could reduce demand for Company products.
- Our Company's ability and our customers' and suppliers' ability to replace, modify or upgrade computer programs in ways that adequately address the Year 2000 issue.

The foregoing list of important factors is not exclusive.

Additional Information

For additional information about our operations, cash flows, liquidity and capital resources, please refer to the information on pages 44 through 62 of this report. Additional information concerning our operations in specific geographic areas is presented on page 60.

Selected Financial Data

THE COCA-COLA COMPANY AND SUBSIDIARIES

| (In millions except per share data, ratios and growth rates) | Compound Growth Rates | | Year Ended December 31, | |
|--|-----------------------|----------|-------------------------|------------|
| | 5 Years | 10 Years | 1997 | 1996 |
| Summary of Operations | | | | |
| Net operating revenues | 7.5% | 9.4% | \$ 18,868 | \$ 18,673 |
| Cost of goods sold | 3.5% | 5.2% | 6,015 | 6,738 |
| Gross profit | 9.8% | 12.3% | 12,853 | 11,935 |
| Selling, administrative and general expenses | 8.1% | 11.3% | 7,852 | 8,020 |
| Operating income | 12.7% | 14.0% | 5,001 | 3,915 |
| Interest income | | | 211 | 238 |
| Interest expense | | | 258 | 286 |
| Equity income | | | 155 | 211 |
| Other income (deductions)-net | | | 583 | 87 |
| Gains on issuances of stock by equity investees | | | 363 | 431 |
| Income from continuing operations before income taxes and changes in accounting principles | 17.1% | 16.1% | 6,055 | 4,596 |
| Income taxes | 17.4% | 14.5% | 1,926 | 1,104 |
| Income from continuing operations before changes in accounting principles | 17.0% | 16.9% | \$ 4,129 | \$ 3,492 |
| Net income | 19.9% | 16.3% | \$ 4,129 | \$ 3,492 |
| Preferred stock dividends | | | — | — |
| Net income available to common share owners | 19.9% | 16.3% | \$ 4,129 | \$ 3,492 |
| Average common shares outstanding | | | 2,477 | 2,494 |
| Average common shares outstanding assuming dilution | | | 2,515 | 2,523 |
| Per Common Share Data | | | | |
| Income from continuing operations before changes in accounting principles — basic | 18.3% | 19.1% | \$ 1.67 | \$ 1.40 |
| Income from continuing operations before changes in accounting principles — diluted | 18.2% | 18.9% | 1.64 | 1.38 |
| Basic net income | 21.5% | 18.7% | 1.67 | 1.40 |
| Diluted net income | 21.5% | 18.5% | 1.64 | 1.38 |
| Cash dividends | 14.9% | 14.9% | .56 | .50 |
| Market price on December 31 | 26.1% | 30.2% | 66.69 | 52.63 |
| Total Market Value of Common Stock¹ | 24.7% | 27.8% | \$ 164,766 | \$ 130,575 |
| Balance Sheet Data | | | | |
| Cash, cash equivalents and current marketable securities | | | \$ 1,843 | \$ 1,658 |
| Property, plant and equipment-net | | | 3,743 | 3,550 |
| Depreciation | | | 384 | 442 |
| Capital expenditures | | | 1,093 | 990 |
| Total assets | | | 16,940 | 16,161 |
| Long-term debt | | | 801 | 1,116 |
| Total debt | | | 3,875 | 4,513 |
| Share-owners' equity | | | 7,311 | 6,156 |
| Total capital ¹ | | | 11,186 | 10,669 |
| Other Key Financial Measures¹ | | | | |
| Total debt-to-total capital | | | 34.6% | 42.3% |
| Net debt-to-net capital | | | 21.9% | 31.4% |
| Return on common equity | | | 61.3% | 60.5% |
| Return on capital | | | 39.4% | 36.7% |
| Dividend payout ratio | | | 33.6% | 35.7% |
| Free cash flow | | | \$ 3,533 | \$ 2,413 |
| Economic profit | | | \$ 3,325 | \$ 2,718 |

¹ See Glossary on page 67.

² In 1994, we adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

³ In 1993, we adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits."

⁴ In 1992, we adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

| 1995 | 1994 ² | 1993 ³ | 1992 ^{4,5} | 1991 ⁵ | 1990 ⁵ | 1989 ⁵ | 1988 | 1987 |
|-----------|-------------------|-------------------|---------------------|-------------------|-------------------|-----------------------|-----------|-----------|
| \$ 18,127 | \$ 16,264 | \$ 14,030 | \$ 13,119 | \$ 11,599 | \$ 10,261 | \$ 8,637 | \$ 8,076 | \$ 7,667 |
| 6,940 | 6,168 | 5,160 | 5,055 | 4,649 | 4,208 | 3,548 | 3,429 | 3,633 |
| 11,187 | 10,096 | 8,870 | 8,064 | 6,950 | 6,053 | 5,089 | 4,647 | 4,034 |
| 7,161 | 6,459 | 5,771 | 5,317 | 4,641 | 4,103 | 3,342 | 3,044 | 2,682 |
| 4,026 | 3,637 | 3,099 | 2,747 | 2,309 | 1,950 | 1,747 | 1,603 | 1,352 |
| 245 | 181 | 144 | 164 | 175 | 170 | 205 | 199 | 232 |
| 272 | 199 | 168 | 171 | 192 | 231 | 308 | 230 | 297 |
| 169 | 134 | 91 | 65 | 40 | 110 | 75 | 92 | 64 |
| 86 | (25) | 7 | (59) | 51 | 15 | 45 | (38) | (28) |
| 74 | — | 12 | — | — | — | — | — | 40 |
| 4,328 | 3,728 | 3,185 | 2,746 | 2,383 | 2,014 | 1,764 | 1,626 | 1,363 |
| 1,342 | 1,174 | 997 | 863 | 765 | 632 | 553 | 537 | 496 |
| \$ 2,986 | \$ 2,554 | \$ 2,188 | \$ 1,883 | \$ 1,618 | \$ 1,382 | \$ 1,211 | \$ 1,089 | \$ 867 |
| \$ 2,986 | \$ 2,554 | \$ 2,176 | \$ 1,664 | \$ 1,618 | \$ 1,382 | \$ 1,537 | \$ 1,045 | \$ 916 |
| — | — | — | — | 1 | 18 | 21 | 7 | — |
| \$ 2,986 | \$ 2,554 | \$ 2,176 | \$ 1,664 | \$ 1,617 | \$ 1,364 | \$ 1,516 ⁶ | \$ 1,038 | \$ 916 |
| 2,525 | 2,580 | 2,603 | 2,634 | 2,666 | 2,674 | 2,768 | 2,917 | 3,019 |
| 2,549 | 2,599 | 2,626 | 2,668 | 2,695 | 2,706 | 2,789 | 2,929 | 3,037 |
| \$ 1.18 | \$.99 | \$.84 | \$.72 | \$.61 | \$.51 | \$.43 | \$.37 | \$.29 |
| 1.17 | .98 | .83 | .71 | .60 | .50 | .43 | .37 | .29 |
| 1.18 | .99 | .84 | .63 | .61 | .51 | .55 ⁶ | .36 | .30 |
| 1.17 | .98 | .83 | .62 | .60 | .50 | .54 | .35 | .30 |
| .44 | .39 | .34 | .28 | .24 | .20 | .17 | .15 | .14 |
| 37.13 | 25.75 | 22.31 | 20.94 | 20.06 | 11.63 | 9.66 | 5.58 | 4.77 |
| \$ 92,983 | \$ 65,711 | \$ 57,905 | \$ 54,728 | \$ 53,325 | \$ 31,073 | \$ 26,034 | \$ 15,834 | \$ 14,198 |
| \$ 1,315 | \$ 1,531 | \$ 1,078 | \$ 1,063 | \$ 1,117 | \$ 1,492 | \$ 1,182 | \$ 1,231 | \$ 1,489 |
| 4,336 | 4,080 | 3,729 | 3,526 | 2,890 | 2,386 | 2,021 | 1,759 | 1,602 |
| 421 | 382 | 333 | 310 | 254 | 236 | 181 | 167 | 152 |
| 937 | 878 | 800 | 1,083 | 792 | 593 | 462 | 387 | 304 |
| 15,041 | 13,873 | 12,021 | 11,052 | 10,189 | 9,245 | 8,249 | 7,451 | 8,606 |
| 1,141 | 1,426 | 1,428 | 1,120 | 985 | 536 | 549 | 761 | 909 |
| 4,064 | 3,509 | 3,100 | 3,207 | 2,288 | 2,537 | 1,980 | 2,124 | 2,995 |
| 5,392 | 5,235 | 4,584 | 3,888 | 4,239 | 3,662 | 3,299 | 3,345 | 3,187 |
| 9,456 | 8,744 | 7,684 | 7,095 | 6,527 | 6,199 | 5,279 | 5,469 | 6,182 |
| 43.0% | 40.1% | 40.3% | 45.2% | 35.1% | 40.9% | 37.5% | 38.8% | 48.4% |
| 32.2% | 25.5% | 29.0% | 33.1% | 24.1% | 24.6% | 15.6% | 21.1% | 21.1% |
| 56.2% | 52.0% | 51.7% | 46.4% | 41.3% | 41.4% | 39.4% | 34.7% | 26.0% |
| 34.9% | 32.7% | 31.2% | 29.4% | 27.5% | 26.8% | 26.5% | 21.3% | 18.3% |
| 37.2% | 39.4% | 40.6% | 44.3% | 39.5% | 39.2% | 31.0% ⁶ | 42.1% | 46.0% |
| \$ 2,102 | \$ 2,146 | \$ 1,623 | \$ 873 | \$ 960 | \$ 844 | \$ 1,664 | \$ 1,517 | \$ 1,023 |
| \$ 2,291 | \$ 1,896 | \$ 1,549 | \$ 1,300 | \$ 1,073 | \$ 920 | \$ 859 | \$ 717 | \$ 530 |

⁵ In 1992, we adopted SFAS No. 109, "Accounting for Income Taxes," by restating financial statements beginning in 1989.

⁶ Net income available to common share owners in 1989 included after-tax gains of \$604 million (\$.22 per common share, basic and diluted) from the sales of our equity interest in Columbia Pictures Entertainment, Inc. and our bottled water business, and the transition effect of \$265 million related to the change in accounting for income taxes. Excluding these nonrecurring items, our dividend payout ratio in 1989 was 39.9 percent.

Consolidated Balance Sheets

THE COCA-COLA COMPANY AND SUBSIDIARIES

| December 31, | 1997 | 1996 |
|---|------------------|------------------|
| (In millions except share data) | | |
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 1,737 | \$ 1,433 |
| Marketable securities | 106 | 225 |
| | 1,843 | 1,658 |
| Trade accounts receivable, less allowances of \$23 in 1997 and \$30 in 1996 | 1,639 | 1,641 |
| Inventories | 959 | 952 |
| Prepaid expenses and other assets | 1,528 | 1,659 |
| Total Current Assets | 5,969 | 5,910 |
| Investments and Other Assets | | |
| Equity method investments | | |
| Coca-Cola Enterprises Inc. | 184 | 547 |
| Coca-Cola Amatil Limited | 1,204 | 881 |
| Other, principally bottling companies | 3,049 | 2,004 |
| Cost method investments, principally bottling companies | 457 | 737 |
| Marketable securities and other assets | 1,607 | 1,779 |
| | 6,501 | 5,948 |
| Property, Plant and Equipment | | |
| Land | 183 | 204 |
| Buildings and improvements | 1,535 | 1,528 |
| Machinery and equipment | 3,896 | 3,649 |
| Containers | 157 | 200 |
| | 5,771 | 5,581 |
| Less allowances for depreciation | 2,028 | 2,031 |
| | 3,743 | 3,550 |
| Goodwill and Other Intangible Assets | 727 | 753 |
| | \$ 16,940 | \$ 16,161 |

| December 31, | 1997 | 1996 |
|--|------------------|------------------|
| Liabilities and Share-Owners' Equity | | |
| Current | | |
| Accounts payable and accrued expenses | \$ 3,249 | \$ 2,972 |
| Loans and notes payable | 2,677 | 3,388 |
| Current maturities of long-term debt | 397 | 9 |
| Accrued income taxes | 1,056 | 1,037 |
| Total Current Liabilities | 7,379 | 7,406 |
| Long-Term Debt | 801 | 1,116 |
| Other Liabilities | 1,001 | 1,182 |
| Deferred Income Taxes | 448 | 301 |
| Share-Owners' Equity | | |
| Common stock, \$.25 par value | | |
| Authorized: 5,600,000,000 shares | | |
| Issued: 3,443,441,902 shares in 1997; 3,432,956,518 shares in 1996 | 861 | 858 |
| Capital surplus | 1,527 | 1,058 |
| Reinvested earnings | 17,869 | 15,127 |
| Unearned compensation related to outstanding restricted stock | (50) | (61) |
| Foreign currency translation adjustment | (1,372) | (662) |
| Unrealized gain on securities available for sale | 58 | 156 |
| | 18,893 | 16,476 |
| Less treasury stock, at cost (972,812,731 shares in 1997; 951,963,574 shares in 1996) | 11,582 | 10,320 |
| | 7,311 | 6,156 |
| | \$ 16,940 | \$ 16,161 |

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

THE COCA-COLA COMPANY AND SUBSIDIARIES

| Year Ended December 31, | 1997 | 1996 | 1995 |
|---|------------------|------------------|------------------|
| (In millions except per share data) | | | |
| Net Operating Revenues | \$ 18,868 | \$ 18,673 | \$ 18,127 |
| Cost of goods sold | 6,015 | 6,738 | 6,940 |
| Gross Profit | 12,853 | 11,935 | 11,187 |
| Selling, administrative and general expenses | 7,852 | 8,020 | 7,161 |
| Operating Income | 5,001 | 3,915 | 4,026 |
| Interest income | 211 | 238 | 245 |
| Interest expense | 258 | 286 | 272 |
| Equity income | 155 | 211 | 169 |
| Other income-net | 583 | 87 | 86 |
| Gains on issuances of stock by equity investees | 363 | 431 | 74 |
| Income before Income Taxes | 6,055 | 4,596 | 4,328 |
| Income taxes | 1,926 | 1,104 | 1,342 |
| Net Income | \$ 4,129 | \$ 3,492 | \$ 2,986 |
| Basic Net Income per Share | \$ 1.67 | \$ 1.40 | \$ 1.18 |
| Diluted Net Income per Share | \$ 1.64 | \$ 1.38 | \$ 1.17 |
| Average Shares Outstanding | 2,477 | 2,494 | 2,525 |
| Dilutive effect of stock options | 38 | 29 | 24 |
| Average Shares Outstanding Assuming Dilution | 2,515 | 2,523 | 2,549 |

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

THE COCA-COLA COMPANY AND SUBSIDIARIES

| Year Ended December 31, (In millions) | 1997 | 1996 | 1995 |
|---|----------|----------|----------|
| Operating Activities | | | |
| Net income | \$ 4,129 | \$ 3,492 | \$ 2,986 |
| Depreciation and amortization | 626 | 633 | 562 |
| Deferred income taxes | 380 | (145) | 157 |
| Equity income, net of dividends | (108) | (89) | (25) |
| Foreign currency adjustments | 37 | (60) | (23) |
| Gains on issuances of stock by equity investees | (363) | (431) | (74) |
| Gains on sales of assets, including bottling interests | (639) | (135) | (16) |
| Other items | 18 | 316 | 60 |
| Net change in operating assets and liabilities | (47) | (118) | (299) |
| Net cash provided by operating activities | 4,033 | 3,463 | 3,328 |
| Investing Activities | | | |
| Acquisitions and investments, principally bottling companies | (1,100) | (645) | (338) |
| Purchases of investments and other assets | (459) | (623) | (403) |
| Proceeds from disposals of investments and other assets | 1,999 | 1,302 | 580 |
| Purchases of property, plant and equipment | (1,093) | (990) | (937) |
| Proceeds from disposals of property, plant and equipment | 71 | 81 | 44 |
| Other investing activities | 82 | (175) | (172) |
| Net cash used in investing activities | (500) | (1,050) | (1,226) |
| Net cash provided by operations after reinvestment | 3,533 | 2,413 | 2,102 |
| Financing Activities | | | |
| Issuances of debt | 155 | 1,122 | 754 |
| Payments of debt | (751) | (580) | (212) |
| Issuances of stock | 150 | 124 | 86 |
| Purchases of stock for treasury | (1,262) | (1,521) | (1,796) |
| Dividends | (1,387) | (1,247) | (1,110) |
| Net cash used in financing activities | (3,095) | (2,102) | (2,278) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (134) | (45) | (43) |
| Cash and Cash Equivalents | | | |
| Net increase (decrease) during the year | 304 | 266 | (219) |
| Balance at beginning of year | 1,433 | 1,167 | 1,386 |
| Balance at end of year | \$ 1,737 | \$ 1,433 | \$ 1,167 |

See Notes to Consolidated Financial Statements.

Consolidated Statements of Share-Owners' Equity

THE COCA-COLA COMPANY AND SUBSIDIARIES

| Three Years Ended December 31, 1997 | Number of Common Shares Outstanding | Common Stock | Capital Surplus | Reinvested Earnings | Outstanding Restricted Stock | Foreign Currency Translation | Unrealized Gain on Securities | Treasury Stock |
|--|--|-----------------|--------------------|------------------------|------------------------------------|------------------------------------|-------------------------------------|--------------------|
| (In millions except per share data) | | | | | | | | |
| Balance December 31, 1994 | 2,552 | \$ 854 | \$ 746 | \$ 11,006 | \$ (74) | \$ (272) | \$ 48 | \$ (7,073) |
| Stock issued to employees exercising stock options | 8 | 2 | 84 | — | — | — | — | — |
| Tax benefit from employees' stock option and restricted stock plans | — | — | 26 | — | — | — | — | — |
| Stock issued under restricted stock plans, less amortization of \$12 | — | — | 7 | — | 6 | — | — | — |
| Translation adjustments | — | — | — | — | — | (152) | — | — |
| Net change in unrealized gain on securities, net of deferred taxes | — | — | — | — | — | — | 34 | — |
| Purchases of stock for treasury | (58) ¹ | — | — | — | — | — | — | (1,796) |
| Treasury stock issued in connection with an acquisition | 3 | — | — | — | — | — | — | 70 |
| Net income | — | — | — | 2,986 | — | — | — | — |
| Dividends (per share — \$.44) | — | — | — | (1,110) | — | — | — | — |
| Balance December 31, 1995 | 2,505 | 856 | 863 | 12,882 | (68) | (424) | 82 | (8,799) |
| Stock issued to employees exercising stock options | 9 | 2 | 122 | — | — | — | — | — |
| Tax benefit from employees' stock option and restricted stock plans | — | — | 63 | — | — | — | — | — |
| Stock issued under restricted stock plans, less amortization of \$15 | — | — | 10 | — | 7 | — | — | — |
| Translation adjustments | — | — | — | — | — | (238) | — | — |
| Net change in unrealized gain on securities, net of deferred taxes | — | — | — | — | — | — | 74 | — |
| Purchases of stock for treasury | (33) ¹ | — | — | — | — | — | — | (1,521) |
| Net income | — | — | — | 3,492 | — | — | — | — |
| Dividends (per share — \$.50) | — | — | — | (1,247) | — | — | — | — |
| Balance December 31, 1996 | 2,481 | 858 | 1,058 | 15,127 | (61) | (662) | 156 | (10,320) |
| Stock issued to employees exercising stock options | 10 | 3 | 147 | — | — | — | — | — |
| Tax benefit from employees' stock option and restricted stock plans | — | — | 312 | — | — | — | — | — |
| Stock issued under restricted stock plans, less amortization of \$10 | — | — | 10 | — | 11 | — | — | — |
| Translation adjustments | — | — | — | — | — | (710) | — | — |
| Net change in unrealized gain on securities, net of deferred taxes | — | — | — | — | — | — | (98) | — |
| Purchases of stock for treasury | (20) ¹ | — | — | — | — | — | — | (1,262) |
| Net income | — | — | — | 4,129 | — | — | — | — |
| Dividends (per share — \$.56) | — | — | — | (1,387) | — | — | — | — |
| Balance December 31, 1997 | 2,471 | \$ 861 | \$ 1,527 | \$ 17,869 | \$ (50) | \$ (1,372) | \$ 58 | \$ (11,582) |

¹ Common stock purchased from employees exercising stock options numbered 1.1 million, .9 million and .6 million shares for the years ending December 31, 1997, 1996 and 1995, respectively.
See Notes to Consolidated Financial Statements.

Note 1: Organization and Summary of Significant Accounting Policies

Organization — The Coca-Cola Company and subsidiaries (our Company) is predominantly a manufacturer, marketer and distributor of soft-drink and noncarbonated beverage concentrates and syrups. Operating in nearly 200 countries worldwide, we primarily sell our concentrates and syrups to bottling and canning operations, fountain wholesalers and fountain retailers. We have significant markets for our products in all of the world's geographic regions. We record revenue when title passes to our customers.

Basis of Presentation — Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation.

Consolidation — Our consolidated financial statements include the accounts of The Coca-Cola Company and all subsidiaries except where control is temporary or does not rest with our Company. Our investments in companies in which we have the ability to exercise significant influence over operating and financial policies, including certain investments where there is a temporary majority interest, are accounted for by the equity method. Accordingly, our Company's share of the net earnings of these companies is included in consolidated net income. Our investments in other companies are carried at cost or fair value, as appropriate. All significant intercompany accounts and transactions are eliminated upon consolidation.

Issuances of Stock by Equity Investees — When one of our equity investees issues additional shares to third parties, our percentage ownership interest in the investee decreases. In the event the issuance price per share is more or less than our average carrying amount per share, we recognize a noncash gain or loss on the issuance. This noncash gain or loss, net of any deferred taxes, is recognized in our net income in the period the change of ownership interest occurs.

Advertising Costs — Our Company expenses production costs of print, radio and television advertisements as of the first date the advertisements take place. Advertising expenses included in selling, administrative and general expenses were \$1,576 million in 1997, \$1,441 million in 1996 and \$1,292 million in 1995. As of December 31, 1997 and 1996, advertising costs of approximately \$358 million and \$247 million, respectively, were recorded primarily in prepaid expenses and other assets in our accompanying balance sheets.

Net Income per Share — Basic net income per share is computed by dividing net income by the weighted-average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock options.

Cash Equivalents — Marketable securities that are highly liquid and have maturities of three months or less at the date of purchase are classified as cash equivalents.

Inventories — Inventories consist primarily of raw materials and supplies and are valued at the lower of cost or market. In general, cost is determined on the basis of average cost or first-in, first-out methods.

Property, Plant and Equipment — Property, plant and equipment are stated at cost and are depreciated principally by the straight-line method over the estimated useful lives of the assets.

Goodwill and Other Intangible Assets — Goodwill and other intangible assets are stated on the basis of cost and are amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years). Goodwill and other intangible assets are periodically reviewed for impairment based on an assessment of future operations to ensure they are appropriately valued. Accumulated amortization was approximately \$105 million and \$86 million on December 31, 1997 and 1996, respectively.

Use of Estimates — In conformity with generally accepted accounting principles, the preparation of our financial statements requires our management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from estimates.

New Accounting Standards — In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." These statements, which are effective for fiscal years beginning after December 15, 1997, expand or modify disclosures and will have no impact on our consolidated financial position, results of operations or cash flows.

We adopted SFAS No. 128, "Earnings per Share," in 1997. In accordance with SFAS No. 128, we have presented both basic net income per share and diluted net income per share in our financial statements.

Note 2: Bottling Investments

Coca-Cola Enterprises Inc. — Coca-Cola Enterprises is the largest soft-drink bottler in the world. Our Company owns approximately 44 percent of the outstanding common stock of Coca-Cola Enterprises, and accordingly, we account for our investment by the equity method of accounting. The excess of our equity in the underlying net assets of Coca-Cola Enterprises over our investment is primarily being amortized on a straight-line basis over 40 years. The balance of this excess, net of amortization, was approximately \$595 million at December 31, 1997. A summary of financial information for Coca-Cola Enterprises is as follows (in millions):

| December 31, | 1997 | 1996 |
|---------------------------|-----------|-----------|
| Current assets | \$ 1,813 | \$ 1,319 |
| Noncurrent assets | 15,674 | 9,915 |
| Total assets | \$ 17,487 | \$ 11,234 |
| Current liabilities | \$ 3,032 | \$ 1,690 |
| Noncurrent liabilities | 12,673 | 7,994 |
| Total liabilities | \$ 15,705 | \$ 9,684 |
| Share-owners' equity | \$ 1,782 | \$ 1,550 |
| Company equity investment | \$ 184 | \$ 547 |

| Year Ended December 31, | 1997 | 1996 | 1995 |
|---|-----------|----------|----------|
| Net operating revenues | \$ 11,278 | \$ 7,921 | \$ 6,773 |
| Cost of goods sold | 7,096 | 4,896 | 4,267 |
| Gross profit | \$ 4,182 | \$ 3,025 | \$ 2,506 |
| Operating income | \$ 720 | \$ 545 | \$ 468 |
| Cash operating profit ¹ | \$ 1,666 | \$ 1,172 | \$ 997 |
| Net income | \$ 171 | \$ 114 | \$ 82 |
| Net income available to common share owners | \$ 169 | \$ 106 | \$ 80 |
| Company equity income | \$ 59 | \$ 53 | \$ 35 |

¹ Cash operating profit is defined as operating income plus depreciation expense, amortization expense and other noncash operating expenses.

Our net concentrate/syrup sales to Coca-Cola Enterprises were \$2.5 billion in 1997, \$1.6 billion in 1996 and \$1.3 billion in 1995, comprising approximately 13 percent, 9 percent and 7 percent of our 1997, 1996 and 1995 net operating revenues. Coca-Cola Enterprises purchases sweeteners through our Company; however, related collections from Coca-Cola Enterprises and payments to suppliers are not included in our consolidated statements of income. These transactions amounted to \$223 million in 1997, \$247 million in 1996 and \$242 million in 1995. We also provide certain administrative and other services to Coca-Cola Enterprises under negotiated fee arrangements.

Our direct support for certain marketing activities of Coca-Cola Enterprises and participation with them in cooperative advertising and other marketing programs amounted to approximately \$604 million in 1997, \$448 million in 1996 and \$343 million in 1995. Additionally, in 1997 and 1996,

we committed approximately \$190 million and \$120 million, respectively, to Coca-Cola Enterprises under a Company program that encourages bottlers to invest in building and supporting beverage infrastructure.

If valued at the December 31, 1997, quoted closing price of publicly traded Coca-Cola Enterprises shares, the calculated value of our investment in Coca-Cola Enterprises would have exceeded its carrying value by approximately \$5.8 billion.

Coca-Cola Amatil Limited — We own approximately 33 percent of Coca-Cola Amatil, an Australian-based bottler of our products that operates in 18 countries. Accordingly, we account for our investment in Coca-Cola Amatil by the equity method. The excess of our investment over our equity in the underlying net assets of Coca-Cola Amatil is being amortized on a straight-line basis over 40 years. The balance of this excess, net of amortization, was approximately \$64 million at December 31, 1997. A summary of financial information for Coca-Cola Amatil is as follows (in millions):

| December 31, | 1997 | 1996 |
|---------------------------|----------|----------|
| Current assets | \$ 1,470 | \$ 1,847 |
| Noncurrent assets | 4,590 | 2,913 |
| Total assets | \$ 6,060 | \$ 4,760 |
| Current liabilities | \$ 1,053 | \$ 1,247 |
| Noncurrent liabilities | 1,552 | 1,445 |
| Total liabilities | \$ 2,605 | \$ 2,692 |
| Share-owners' equity | \$ 3,455 | \$ 2,068 |
| Company equity investment | \$ 1,204 | \$ 881 |

| Year Ended December 31, | 1997 | 1996 | 1995 |
|------------------------------------|----------|----------|----------|
| Net operating revenues | \$ 3,290 | \$ 2,905 | \$ 2,193 |
| Cost of goods sold | 1,856 | 1,737 | 1,311 |
| Gross profit | \$ 1,434 | \$ 1,168 | \$ 882 |
| Operating income | \$ 276 | \$ 215 | \$ 214 |
| Cash operating profit ¹ | \$ 505 | \$ 384 | \$ 329 |
| Net income | \$ 89 | \$ 80 | \$ 75 |
| Company equity income | \$ 27 | \$ 27 | \$ 28 |

¹ Cash operating profit is defined as operating income plus depreciation expense, amortization expense and other noncash operating expenses.

Our net concentrate sales to Coca-Cola Amatil were approximately \$588 million in 1997, \$450 million in 1996 and \$340 million in 1995. We also participate in various marketing, promotional and other activities with Coca-Cola Amatil.

If valued at the December 31, 1997, quoted closing price of publicly traded Coca-Cola Amatil shares, the calculated value of our investment in Coca-Cola Amatil would have exceeded its carrying value by approximately \$918 million.

Other Equity Investments — Operating results include our proportionate share of income from our equity investments since the respective dates of those investments. A summary of financial information for our equity investments in the aggregate, other than Coca-Cola Enterprises and Coca-Cola Amatil, is as follows (in millions):

| December 31, | 1997 | 1996 |
|---------------------------|-----------|-----------|
| Current assets | \$ 2,946 | \$ 2,792 |
| Noncurrent assets | 11,371 | 8,783 |
| Total assets | \$ 14,317 | \$ 11,575 |
| Current liabilities | \$ 3,545 | \$ 2,758 |
| Noncurrent liabilities | 4,636 | 4,849 |
| Total liabilities | \$ 8,181 | \$ 7,607 |
| Share-owners' equity | \$ 6,136 | \$ 3,968 |
| Company equity investment | \$ 3,049 | \$ 2,004 |

| Year Ended December 31, | 1997 | 1996 | 1995 |
|------------------------------------|-----------|-----------|----------|
| Net operating revenues | \$ 13,688 | \$ 11,640 | \$ 9,370 |
| Cost of goods sold | 8,645 | 8,028 | 6,335 |
| Gross profit | \$ 5,043 | \$ 3,612 | \$ 3,035 |
| Operating income | \$ 869 | \$ 835 | \$ 632 |
| Cash operating profit ¹ | \$ 1,794 | \$ 1,268 | \$ 1,079 |
| Net income | \$ 405 | \$ 366 | \$ 280 |
| Company equity income | \$ 69 | \$ 131 | \$ 106 |

Equity investments include certain non-bottling investees.

¹ Cash operating profit is defined as operating income plus depreciation expense, amortization expense and other noncash operating expenses.

Net sales to equity investees other than Coca-Cola Enterprises and Coca-Cola Amatil were \$1.5 billion in 1997, \$1.5 billion in 1996 and \$1.2 billion in 1995. Our Company also participates in various marketing, promotional and other activities with these investees, the majority of which are located outside the United States.

In February 1997, we sold our 49 percent interest in Coca-Cola & Schweppes Beverages Ltd. to Coca-Cola Enterprises. This transaction resulted in proceeds for our Company of approximately \$1 billion and an after-tax gain of approximately \$.08 per share (basic and diluted). In August 1997, we sold our 48 percent interest in Coca-Cola Beverages Ltd. of Canada and our 49 percent ownership interest in The Coca-Cola Bottling Company of New York, Inc. to Coca-Cola Enterprises in exchange for aggregate consideration valued at approximately \$456 million. This sale resulted in an after-tax gain of approximately \$.04 per share (basic and diluted).

In July 1996, we sold our interests in our French and Belgian bottling and canning operations to Coca-Cola Enterprises in return for cash consideration of approximately \$936 million. Also in 1996, we contributed cash and our Venezuelan bottling interests to a new joint venture, Embotelladora Coca-Cola y Hit de Venezuela, S.A. (Coca-Cola y Hit), in exchange for a 50 percent ownership interest. In

1997, we sold our interest in Coca-Cola y Hit to Panamerican Beverages, Inc. (Panamco) in exchange for shares in Panamco. (See Note 3.)

If valued at the December 31, 1997, quoted closing prices of shares actively traded on stock markets, the calculated value of our equity investments in publicly traded bottlers other than Coca-Cola Enterprises and Coca-Cola Amatil would have exceeded our carrying value by approximately \$1.2 billion.

Note 3: Issuances of Stock by Equity Investees

In the second quarter of 1997, our Company and San Miguel Corporation (San Miguel) sold our respective interests in Coca-Cola Bottlers Philippines, Inc. to Coca-Cola Amatil in exchange for approximately 293 million shares of Coca-Cola Amatil stock. In connection with this transaction, Coca-Cola Amatil issued approximately 210 million shares to San Miguel valued at approximately \$2.4 billion. The issuance to San Miguel resulted in a one-time noncash pretax gain for our Company of approximately \$343 million. We provided deferred taxes of approximately \$141.5 million on this gain. This transaction resulted in our Company's 36 percent interest in Coca-Cola Amatil being diluted to 33 percent.

Also in the second quarter of 1997, our Company and the Cisneros Group sold our respective interests in Coca-Cola y Hit to Panamco in exchange for approximately 30.6 million shares of Panamco stock. In connection with this transaction, Panamco issued approximately 13.6 million shares to the Cisneros Group valued at approximately \$402 million. The issuance to the Cisneros Group resulted in a one-time noncash pretax gain for our Company of approximately \$20 million. We provided deferred taxes of approximately \$7.2 million on this gain. At the completion of this transaction, our ownership in Panamco was approximately 23 percent.

In the third quarter of 1996, our previously wholly owned subsidiary, Coca-Cola Erfrischungsgetränke G.m.b.H. (CCEG), issued approximately 24.4 million shares of common stock as part of a merger with three independent German bottlers of our products. The shares were valued at approximately \$925 million, based upon the fair values of the assets of the three acquired bottling companies. In connection with CCEG's issuance of shares, a new corporation was established, Coca-Cola Erfrischungsgetränke AG (CCEAG), and our ownership was reduced to 45 percent of the resulting corporation. As a result, we began accounting for our related investment by the equity method of accounting prospectively from the transaction date. This transaction resulted in a noncash pretax gain of \$283 million for our Company. We provided deferred taxes of approximately \$171 million related to this gain.

Also in the third quarter of 1996, Coca-Cola Amatil issued approximately 46 million shares in exchange for approximately \$522 million. This issuance reduced our Company's ownership percentage in Coca-Cola Amatil from approximately 39 percent to approximately 36 percent. This transaction resulted in a noncash

pretax gain of \$130 million for our Company. We have provided deferred taxes of approximately \$47 million on this gain.

In 1996, Coca-Cola FEMSA de Buenos Aires, S.A. (CCFBA) issued approximately 19 million shares to Coca-Cola FEMSA, S.A. de C.V. This issuance reduced our ownership in CCFBA from 49 percent to approximately 32 percent. We recognized a noncash pretax gain of approximately \$18 million as a result of this transaction. In subsequent transactions, we disposed of our remaining interest in CCFBA.

In the third quarter of 1995, Coca-Cola Amatil completed a public offering in Australia of approximately 97 million shares of common stock. In connection with the offering, our ownership interest in Coca-Cola Amatil was diluted to approximately 40 percent. This transaction resulted in a noncash pretax gain of \$74 million. We provided deferred taxes of approximately \$27 million on this gain.

Note 4: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following (in millions):

| December 31, | 1997 | 1996 |
|---|-----------------|-----------------|
| Accrued marketing | \$ 615 | \$ 510 |
| Container deposits | 30 | 64 |
| Accrued compensation | 152 | 169 |
| Sales, payroll and other taxes | 173 | 174 |
| Accounts payable and other accrued expenses | 2,279 | 2,055 |
| | \$ 3,249 | \$ 2,972 |

Note 5: Short-Term Borrowings and Credit Arrangements

Loans and notes payable consist primarily of commercial paper issued in the United States. On December 31, 1997, we had \$2.6 billion outstanding in commercial paper borrowings. In addition, we had \$.9 billion in lines of credit and other short-term credit facilities available, under which \$.1 billion was outstanding. Our weighted-average interest rates for commercial paper were approximately 5.8 and 5.6 percent on December 31, 1997 and 1996, respectively.

These facilities are subject to normal banking terms and conditions. Some of the financial arrangements require compensating balances, none of which are presently significant to our Company.

Note 6: Long-Term Debt

Long-term debt consists of the following (in millions):

| December 31, | 1997 | 1996 |
|---|---------------|-----------------|
| 5¾% German mark notes due 1998 ¹ | \$ 141 | \$ 161 |
| 7⅞% U.S. dollar notes due 1998 | 250 | 250 |
| 6% U.S. dollar notes due 2000 | 251 | 251 |
| 6⅞% U.S. dollar notes due 2002 | 150 | 150 |
| 6% U.S. dollar notes due 2003 | 150 | 150 |
| 7⅞% U.S. dollar notes due 2093 | 116 | 116 |
| Other, due 1998 to 2013 | 140 | 47 |
| | 1,198 | 1,125 |
| Less current portion | 397 | 9 |
| | \$ 801 | \$ 1,116 |

¹ Portions of these notes have been swapped for liabilities denominated in other currencies.

After giving effect to interest rate management instruments (see Note 8), the principal amount of our long-term debt that had fixed and variable interest rates, respectively, was \$480 million and \$718 million on December 31, 1997, and \$261 million and \$864 million on December 31, 1996. The weighted-average interest rate on our Company's long-term debt was 6.2 and 5.9 percent on December 31, 1997 and 1996, respectively. Interest paid was approximately \$264 million, \$315 million and \$275 million in 1997, 1996 and 1995, respectively.

Maturities of long-term debt for the five years succeeding December 31, 1997, are as follows (in millions):

| 1998 | 1999 | 2000 | 2001 | 2002 |
|--------|-------|--------|-------|--------|
| \$ 397 | \$ 13 | \$ 309 | \$ 61 | \$ 151 |

The above notes include various restrictions, none of which is presently significant to our Company.

Note 7: Financial Instruments

Fair Value of Financial Instruments — The carrying amounts reflected in our consolidated balance sheets for cash, cash equivalents, marketable equity securities, marketable cost method investments, receivables, loans and notes payable and long-term debt approximate their respective fair values. Fair values are based primarily on quoted prices for those or similar instruments. A comparison of the carrying value and fair value of our hedging instruments is included in Note 8.

Certain Debt and Marketable Equity Securities — Investments in debt and marketable equity securities, other than investments accounted for by the equity method, are categorized as either trading, available-for-sale or held-to-maturity. On December 31, 1997 and 1996, we had no trading securities. Securities categorized as available-for-sale are stated at fair value, with unrealized gains and losses, net of deferred income taxes, reported in share-

owners' equity. Debt securities categorized as held-to-maturity are stated at amortized cost.

On December 31, 1997 and 1996, available-for-sale and held-to-maturity securities consisted of the following (in millions):

| December 31, | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|-------------------------------------|-----------------|------------------------------|-------------------------------|----------------------------|
| 1997 | | | | |
| Available-for-sale securities | | | | |
| Equity securities | \$ 293 | \$ 93 | \$ (3) | \$ 383 |
| Collateralized mortgage obligations | 132 | — | (2) | 130 |
| Other debt securities | 23 | — | — | 23 |
| | \$ 448 | \$ 93 | \$ (5) | \$ 536 |
| Held-to-maturity securities | | | | |
| Bank and corporate debt | \$ 1,569 | \$ — | \$ — | \$ 1,569 |
| Other debt securities | 22 | — | — | 22 |
| | \$ 1,591 | \$ — | \$ — | \$ 1,591 |

| December 31, | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|-------------------------------------|-----------------|------------------------------|-------------------------------|----------------------------|
| 1996 | | | | |
| Available-for-sale securities | | | | |
| Equity securities | \$ 377 | \$ 259 | \$ (2) | \$ 634 |
| Collateralized mortgage obligations | 145 | — | (5) | 140 |
| Other debt securities | 24 | — | (1) | 23 |
| | \$ 546 | \$ 259 | \$ (8) | \$ 797 |
| Held-to-maturity securities | | | | |
| Bank and corporate debt | \$ 1,550 | \$ — | \$ (9) | \$ 1,541 |
| Other debt securities | 58 | — | — | 58 |
| | \$ 1,608 | \$ — | \$ (9) | \$ 1,599 |

On December 31, 1997 and 1996, these investments were included in the following captions on our consolidated balance sheets (in millions):

| December 31, | Available-for-Sale Securities | Held-to-Maturity Securities |
|---|----------------------------------|--------------------------------|
| 1997 | | |
| Cash and cash equivalents | \$ — | \$ 1,346 |
| Current marketable securities | 64 | 42 |
| Cost method investments, principally bottling companies | 336 | — |
| Marketable securities and other assets | 136 | 203 |
| | \$ 536 | \$ 1,591 |
| 1996 | | |
| Cash and cash equivalents | \$ — | \$ 1,208 |
| Current marketable securities | 68 | 157 |
| Cost method investments, principally bottling companies | 584 | — |
| Marketable securities and other assets | 145 | 243 |
| | \$ 797 | \$ 1,608 |

The contractual maturities of these investments as of December 31, 1997, were as follows (in millions):

| | Available-for-Sale Securities | | Held-to-Maturity Securities | |
|-------------------------------------|----------------------------------|---------------|--------------------------------|-----------------|
| | Cost | Fair Value | Amortized Cost | Fair Value |
| 1998 | \$ 20 | \$ 20 | \$ 1,388 | \$ 1,388 |
| 1999-2002 | 3 | 3 | 203 | 203 |
| Collateralized mortgage obligations | 132 | 130 | — | — |
| Equity securities | 293 | 383 | — | — |
| | \$ 448 | \$ 536 | \$ 1,591 | \$ 1,591 |

For the years ended December 31, 1997 and 1996, gross realized gains and losses on sales of available-for-sale securities were not material. The cost of securities sold is based on the specific identification method.

Note 8: Hedging Transactions and Derivative Financial Instruments

Our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates and foreign exchange rates, and to a lesser extent, to reduce our exposure to adverse fluctuations in commodity prices and other market risks. When entered into, these financial instruments are designated as hedges of underlying exposures. Because of the high correlation between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the instruments are generally offset by changes in the value of the

underlying exposures. Virtually all of our derivatives are "over-the-counter" instruments. Our Company does not enter into derivative financial instruments for trading purposes.

The estimated fair values of derivatives used to hedge or modify our risks fluctuate over time. These fair value amounts should not be viewed in isolation but rather in relation to the fair values of the underlying hedged transactions and investments and to the overall reduction in our exposure to adverse fluctuations in interest rates, foreign exchange rates, commodity prices and other market risks.

The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure through our use of derivatives. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, exchange rates or other financial indices.

We have established strict counterparty credit guidelines and only enter into transactions with financial institutions of investment grade or better. We monitor counterparty exposures daily and any downgrade in credit rating receives immediate review. If a downgrade in the credit rating of a counterparty were to occur, we have provisions requiring collateral in the form of U.S. government securities for substantially all of our transactions. To mitigate pre-settlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. As a result, we consider the risk of counterparty default to be minimal.

Interest Rate Management — Our Company maintains our percentage of fixed and variable rate debt within defined parameters. We enter into interest rate swap agreements that maintain the fixed/variable mix within these parameters. These contracts had maturities ranging from one to six years on December 31, 1997. Variable rates are predominantly linked to LIBOR (London Interbank Offered Rate). Any differences paid or received on interest rate swap agreements are recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the underlying obligation.

Foreign Currency Management — The purpose of our foreign currency hedging activities is to reduce the risk that our eventual dollar net cash inflows resulting from sales outside the United States will be adversely affected by changes in exchange rates.

We enter into forward exchange contracts and purchase currency options (principally European currencies and Japanese yen) to hedge firm sale commitments denominated in foreign currencies. We also purchase currency options (principally European currencies and Japanese yen) to hedge certain

anticipated sales. Premiums paid and realized gains and losses, including those on terminated contracts, if any, are included in prepaid expenses and other assets. These are recognized in income along with unrealized gains and losses, in the same period the hedged transactions are realized. Approximately \$52 million of realized gains and \$17 million of realized losses on settled contracts entered into as hedges of firmly committed transactions that have not yet occurred were deferred on December 31, 1997 and 1996, respectively. Deferred gains/losses from hedging anticipated transactions were not material on December 31, 1997 or 1996. In the unlikely event that the underlying transaction terminates or becomes improbable, the deferred gains or losses on the associated derivative will be recorded in our income statement.

Gains and losses on derivative financial instruments that are designated and effective as hedges of net investments in international operations are included in share-owners' equity as a foreign currency translation adjustment.

The following table presents the aggregate notional principal amounts, carrying values, fair values and maturities of our derivative financial instruments outstanding on December 31, 1997 and 1996 (in millions):

| December 31, | Notional Principal Amounts | Carrying Values | Fair Values | Maturity |
|--------------------------------|----------------------------------|--------------------|----------------|-----------|
| 1997 | | | | |
| Interest rate management | | | | |
| Swap agreements | | | | |
| Assets | \$ 597 | \$ 4 | \$ 15 | 1998-2003 |
| Liabilities | 175 | (1) | (12) | 2000-2003 |
| Foreign currency management | | | | |
| Forward contracts | | | | |
| Assets | 1,286 | 27 | 93 | 1998-1999 |
| Liabilities | 465 | (6) | 18 | 1998-1999 |
| Swap agreements | | | | |
| Assets | 178 | 1 | 3 | 1998 |
| Liabilities | 1,026 | (4) | (28) | 1998-2002 |
| Purchased options | | | | |
| Assets | 1,051 | 34 | 109 | 1998 |
| Other | | | | |
| Assets | 470 | 2 | 53 | 1998 |
| Liabilities | 68 | (2) | — | 1998 |
| | \$ 5,316 | \$ 55 | \$ 251 | |

| December 31, 1996 | Notional Principal Amounts | Carrying Values | Fair Values | Maturity |
|-----------------------------|----------------------------------|--------------------|----------------|-----------|
| Interest rate management | | | | |
| Swap agreements | | | | |
| Assets | \$ 893 | \$ 5 | \$ 13 | 1997-2003 |
| Liabilities | 25 | — | 1 | 2002 |
| Interest rate caps | | | | |
| Assets | 400 | 1 | — | 1997 |
| Foreign currency management | | | | |
| Forward contracts | | | | |
| Assets | 5 | 1 | (2) | 1997 |
| Liabilities | 2,541 | (53) | (42) | 1997-1998 |
| Swap agreements | | | | |
| Assets | 398 | 18 | 12 | 1997-1998 |
| Liabilities | 1,086 | (12) | (114) | 1997-2002 |
| Purchased options | | | | |
| Assets | 1,873 | 42 | 89 | 1997 |
| Other | | | | |
| Assets | 537 | 67 | 33 | 1997 |
| | \$ 7,758 | \$ 69 | \$ (10) | |

Maturities of derivative financial instruments held on December 31, 1997, are as follows (in millions):

| 1998 | 1999 | 2000 | 2001 - 2003 |
|----------|--------|--------|-------------|
| \$ 4,218 | \$ 257 | \$ 426 | \$ 415 |

Note 9: Commitments and Contingencies

On December 31, 1997, we were contingently liable for guarantees of indebtedness owed by third parties in the amount of \$409 million, of which \$26 million related to independent bottling licensees.

We do not consider it probable that we will be required to satisfy these guarantees. The fair value of these contingent liabilities is immaterial to our consolidated financial statements.

We believe our exposure to concentrations of credit risk is limited, due to the diverse geographic areas covered by our operations.

Additionally, under certain circumstances, we have committed to make future investments in bottling companies. However, we do not consider any of these commitments to be individually significant.

Note 10: Net Change in Operating Assets and Liabilities

The changes in operating assets and liabilities, net of effects of acquisitions and divestitures of businesses and unrealized exchange gains/losses, are as follows (in millions):

| | 1997 | 1996 | 1995 |
|---|----------|----------|----------|
| Increase in trade accounts receivable | \$ (164) | \$ (230) | \$ (255) |
| Increase in inventories | (43) | (33) | (80) |
| Increase in prepaid expenses and other assets | (145) | (219) | (267) |
| Increase in accounts payable and accrued expenses | 299 | 361 | 214 |
| Increase (decrease) in accrued taxes | 393 | (208) | 26 |
| Increase (decrease) in other liabilities | (387) | 211 | 63 |
| | \$ (47) | \$ (118) | \$ (299) |

Note 11: Restricted Stock, Stock Options and Other Stock Plans

Our Company sponsors restricted stock award plans, stock option plans, Incentive Unit Agreements and Performance Unit Agreements. Our Company applies Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for our plans. Accordingly, for our stock option plans, no compensation cost has been recognized. The compensation cost that has been charged against income for our restricted stock award plans was \$56 million in 1997, \$63 million in 1996 and \$45 million in 1995. For our Incentive Unit Agreements and Performance Unit Agreements, the charge against income was \$31 million in 1997, \$90 million in 1996 and \$64 million in 1995. Had compensation cost for the stock option plans been determined based on the fair value at the grant dates for awards under the plans, consistent with the alternative method set forth under SFAS No. 123, "Accounting for Stock-Based Compensation," our Company's net income, basic net income per share and diluted net income per share would have been reduced.

The pro forma amounts are indicated below (in millions, except per share amounts):

| Year Ended December 31, | 1997 | 1996 | 1995 |
|------------------------------|----------|----------|----------|
| Net income | | | |
| As reported | \$ 4,129 | \$ 3,492 | \$ 2,986 |
| Pro forma | \$ 4,026 | \$ 3,412 | \$ 2,933 |
| Basic net income per share | | | |
| As reported | \$ 1.67 | \$ 1.40 | \$ 1.18 |
| Pro forma | \$ 1.63 | \$ 1.37 | \$ 1.16 |
| Diluted net income per share | | | |
| As reported | \$ 1.64 | \$ 1.38 | \$ 1.17 |
| Pro forma | \$ 1.60 | \$ 1.35 | \$ 1.15 |

Under the amended 1989 Restricted Stock Award Plan and the amended 1983 Restricted Stock Award Plan (the Restricted Stock Award Plans), 40 million and 24 million shares of restricted common stock, respectively, may be granted to certain officers and key employees of our Company.

On December 31, 1997, 33 million shares were available for grant under the Restricted Stock Award Plans. In 1997, 1996 and 1995, 162,000, 210,000 and 190,000 shares of restricted stock were granted at \$59.75, \$48.88 and \$35.63, respectively. Participants are entitled to vote and receive dividends on the shares, and under the 1983 Restricted Stock Award Plan, participants are reimbursed by our Company for income taxes imposed on the award, but not for taxes generated by the reimbursement payment. The shares are subject to certain transfer restrictions and may be forfeited if a participant leaves our Company for reasons other than retirement, disability or death, absent a change in control of our Company.

Under our 1991 Stock Option Plan (the Option Plan), a maximum of 120 million shares of our common stock was approved to be issued or transferred to certain officers and

employees pursuant to stock options and stock appreciation rights granted under the Option Plan. The stock appreciation rights permit the holder, upon surrendering all or part of the related stock option, to receive cash, common stock or a combination thereof, in an amount up to 100 percent of the difference between the market price and the option price. Options to purchase common stock under the Option Plan have been granted to Company employees at fair market value at the date of grant. Generally, stock options become exercisable over a three-year vesting period and expire 10 years from the date of grant.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1997, 1996 and 1995, respectively: dividend yields of 1.0, 1.0 and 1.3 percent; expected volatility of 20.1, 18.3 and 20.1 percent; risk-free interest rates of 6.0, 6.2 and 5.9 percent; and expected lives of four years for all years. The weighted-average fair value of options granted was \$13.92, \$11.43 and \$8.13 for the years ended December 31, 1997, 1996 and 1995, respectively.

A summary of stock option activity under all plans is as follows (shares in millions):

| | 1997 | | 1996 | | 1995 | |
|---|--------|------------------------------------|--------|------------------------------------|--------|------------------------------------|
| | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price |
| Outstanding on January 1, | 78 | \$ 26.50 | 74 | \$ 20.74 | 65 | \$ 15.53 |
| Granted | 13 | 59.79 | 14 | 48.86 | 18 | 34.88 |
| Exercised | (10) | 14.46 | (9) | 13.72 | (8) | 10.63 |
| Forfeited/Expired | (1) | 44.85 | (1) | 31.62 | (1) | 24.84 |
| Outstanding on December 31, | 80 | \$ 33.22 | 78 | \$ 26.50 | 74 | \$ 20.74 |
| Exercisable on December 31, | 55 | \$ 24.62 | 51 | \$ 18.69 | 45 | \$ 14.22 |
| Shares available on December 31, for options that may be granted | 34 | | 46 | | 59 | |

The following table summarizes information about stock options at December 31, 1997 (shares in millions):

| Range of Exercise Prices | Outstanding Stock Options | | | Exercisable Stock Options | |
|--------------------------|---------------------------|---|------------------------------------|---------------------------|------------------------------------|
| | Shares | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price |
| \$ 4.00 to \$ 10.00 | 11 | 1.5 years | \$ 7.33 | 11 | \$ 7.33 |
| \$ 10.01 to \$ 20.00 | 4 | 3.5 years | \$ 14.50 | 4 | \$ 14.50 |
| \$ 20.01 to \$ 30.00 | 24 | 6.1 years | \$ 23.71 | 24 | \$ 23.71 |
| \$ 30.01 to \$ 40.00 | 15 | 7.8 years | \$ 35.63 | 11 | \$ 35.63 |
| \$ 40.01 to \$ 50.00 | 13 | 8.8 years | \$ 48.86 | 5 | \$ 48.86 |
| \$ 50.01 to \$ 71.00 | 13 | 9.8 years | \$ 59.78 | — | \$ — |
| \$ 4.00 to \$ 71.00 | 80 | 6.7 years | \$ 33.22 | 55 | \$ 24.62 |

In 1988, our Company entered into Incentive Unit Agreements whereby, subject to certain conditions, certain officers were given the right to receive cash awards based on the market value of 2.4 million shares of our common stock at the measurement dates. Under the Incentive Unit Agreements, the employee is reimbursed by our Company for income taxes imposed when the value of the units is paid, but not for taxes generated by the reimbursement payment. At December 31, 1996 and 1995, approximately 1.6 million units were outstanding. In 1997, all outstanding units were paid at a price of \$58.50 per unit.

In 1985, we entered into Performance Unit Agreements, whereby certain officers were given the right to receive cash awards based on the difference in the market value of approximately 4.4 million shares of our common stock at the measurement dates and the base price of \$2.58, the market value as of January 2, 1985. At December 31, 1996 and 1995, approximately 2.9 million units were outstanding. In 1997, all outstanding units were paid based on a market price of \$58.50 per unit.

Note 12: Pension and Other Postretirement Benefits

Our Company sponsors and/or contributes to pension plans covering substantially all U.S. employees and certain employees in international locations. The benefits are primarily based on years of service and the employees' compensation for certain periods during the last years of employment. We generally fund pension costs currently, subject to regulatory funding limitations. We also sponsor nonqualified, unfunded defined benefit plans for certain officers and other employees. In addition, our Company and its subsidiaries have various pension plans and other forms of postretirement arrangements outside the United States.

Total pension expense for all benefit plans, including defined benefit plans, amounted to approximately \$77 million in 1997, \$85 million in 1996 and \$81 million in 1995. Net periodic pension cost for our defined benefit plans consists of the following (in millions):

| Year Ended December 31, | 1997 | 1996 | 1995 |
|--|-------|-------|-------|
| Service cost-benefits earned during the period | \$ 49 | \$ 48 | \$ 43 |
| Interest cost on projected benefit obligation | 93 | 91 | 89 |
| Actual return on plan assets | (172) | (169) | (211) |
| Net amortization and deferral | 98 | 103 | 145 |
| Net periodic pension cost | \$ 68 | \$ 73 | \$ 66 |

The funded status of our defined benefit plans is as follows (in millions):

| | Assets Exceed Accumulated Benefits | | Accumulated Benefits Exceed Assets | |
|--|--|--------|--|----------|
| December 31, | 1997 | 1996 | 1997 | 1996 |
| Actuarial present value of benefit obligations | | | | |
| Vested benefit obligation | \$ 804 | \$ 704 | \$ 328 | \$ 343 |
| Accumulated benefit obligation | \$ 872 | \$ 768 | \$ 370 | \$ 384 |
| Projected benefit obligation | \$ 1,016 | \$ 890 | \$ 472 | \$ 485 |
| Plan assets at fair value ¹ | 1,280 | 1,126 | 128 | 156 |
| Plan assets in excess of (less than) projected benefit obligation | 264 | 236 | (344) | (329) |
| Unrecognized net (asset) liability at transition | (30) | (39) | 28 | 36 |
| Unrecognized prior service cost | 29 | 33 | 12 | 16 |
| Unrecognized net (gain) loss | (211) | (191) | 113 | 104 |
| Adjustment required to recognize minimum liability | — | — | (76) | (66) |
| Accrued pension asset (liability) included in the consolidated balance sheet | \$ 52 | \$ 39 | \$ (267) | \$ (239) |

¹ Primarily listed stocks, bonds and government securities.

The assumptions used in computing the preceding information are as follows:

| Year Ended December 31, | 1997 | 1996 | 1995 |
|--|------|------|------|
| Discount rates | 7% | 7¼% | 7% |
| Rates of increase in compensation levels | 4¾% | 4¾% | 4¾% |
| Expected long-term rates of return on assets | 9% | 8½% | 8½% |

Our Company has plans providing postretirement health care and life insurance benefits to substantially all U.S. employees and certain employees in international locations who retire with a minimum of five years of service. Net periodic cost for our postretirement health care and life insurance benefits consists of the following (in millions):

| Year Ended December 31, | 1997 | 1996 | 1995 |
|-------------------------|-------|-------|-------|
| Service cost | \$ 11 | \$ 12 | \$ 12 |
| Interest cost | 23 | 20 | 23 |
| Other | (2) | (3) | (2) |
| | \$ 32 | \$ 29 | \$ 33 |

In addition, we contribute to a Voluntary Employees' Beneficiary Association trust that will be used to partially fund health care benefits for future retirees. Generally, we fund benefits to the extent contributions are tax-deductible, which under current legislation is limited. In general, retiree health benefits are paid as covered expenses are incurred.

The funded status of our postretirement health care and life insurance plans is as follows (in millions):

| December 31, | 1997 | 1996 |
|---|----------|----------|
| Accumulated postretirement benefit obligations: | | |
| Retirees | \$ 154 | \$ 114 |
| Fully eligible active plan participants | 41 | 35 |
| Other active plan participants | 132 | 130 |
| Total benefit obligation | 327 | 279 |
| Plan assets at fair value ¹ | 40 | 41 |
| Plan assets less than benefit obligation | (287) | (238) |
| Unrecognized prior service cost | 5 | 5 |
| Unrecognized net gain | (27) | (57) |
| Accrued postretirement benefit liability included in the consolidated balance sheet | \$ (309) | \$ (290) |

¹ Consists of corporate bonds, government securities and short-term investments.

The assumptions used in computing the preceding information are as follows:

| Year Ended December 31, | 1997 | 1996 | 1995 |
|--|------|------|------|
| Discount rate | 7¼% | 7¾% | 7¼% |
| Rates of increase in compensation levels | 4¾% | 5% | 4¾% |

The rate of increase in the per capita costs of covered health care benefits is assumed to be 7¼ percent in 1998, decreasing gradually to 5 percent by the year 2002. Increasing the assumed health care cost trend rate by one percentage point would increase the accumulated postretirement benefit obligation as of December 31, 1997, by approximately \$39 million and increase the net periodic postretirement benefit cost by approximately \$5 million in 1997.

Note 13: Income Taxes

Income before income taxes consists of the following (in millions):

| Year Ended December 31, | 1997 | 1996 | 1995 |
|-------------------------|----------|----------|----------|
| United States | \$ 1,515 | \$ 1,168 | \$ 1,270 |
| International | 4,540 | 3,428 | 3,058 |
| | \$ 6,055 | \$ 4,596 | \$ 4,328 |

Income tax expense (benefit) consists of the following (in millions):

| Year Ended December 31, | United States | State & Local | International | Total |
|-------------------------|---------------|---------------|---------------|----------|
| 1997 | | | | |
| Current | \$ 240 | \$ 45 | \$ 1,261 | \$ 1,546 |
| Deferred | 180 | 21 | 179 | 380 |
| 1996 | | | | |
| Current | \$ 256 | \$ 79 | \$ 914 | \$ 1,249 |
| Deferred | (264) | (29) | 148 | (145) |
| 1995 | | | | |
| Current | \$ 204 | \$ 41 | \$ 940 | \$ 1,185 |
| Deferred | 80 | 10 | 67 | 157 |

We made income tax payments of approximately \$982 million, \$1,242 million and \$1,000 million in 1997, 1996 and 1995, respectively.

A reconciliation of the statutory U.S. federal rate and effective rates is as follows:

| Year Ended December 31, | 1997 | 1996 | 1995 |
|---|-------|-------|-------|
| Statutory U.S. federal rate | 35.0% | 35.0% | 35.0% |
| State income taxes-net of federal benefit | 1.0 | 1.0 | 1.0 |
| Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate | (2.6) | (3.3) | (3.9) |
| Equity income | (.6) | (1.7) | (1.7) |
| Tax settlement | — | (7.0) | — |
| Other-net | (1.0) | — | .6 |
| | 31.8% | 24.0% | 31.0% |

Our 31.8 percent 1997 effective tax rate reflects the tax benefit derived from having significant operations outside the United States that are taxed at rates lower than the U.S. statutory rate of 35 percent, partially offset by the tax impact of certain gains recognized from previously discussed bottling transactions. These transactions are generally taxed at rates higher than our Company's effective rate on operations.

In 1996, we reached an agreement in principle with the U.S. Internal Revenue Service (IRS) settling certain U.S.-related income tax matters. The agreement included issues in litigation involving our operations in Puerto Rico, dating back to the 1981 tax year and extending through 1995. This agreement resulted in a one-time reduction of \$320 million to our 1996 income tax expense as a result of reversing previously accrued contingent income tax liabilities. Our 1996 effective tax rate would have been 31 percent, excluding the favorable impact of the settlement with the IRS.

Appropriate U.S. and international taxes have been provided for earnings of subsidiary companies that are expected to be remitted to the parent company. Exclusive of amounts that would result in little or no tax if remitted, the cumulative amount of unremitted earnings from our international subsidiaries that is expected to be indefinitely reinvested was approximately \$1,917 million on December 31, 1997. The taxes that would be paid upon remittance of these indefinitely reinvested earnings are approximately \$671 million, based on current tax laws.

The tax effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities consist of the following (in millions):

| December 31, | 1997 | 1996 |
|---|----------|--------|
| Deferred tax assets: | | |
| Benefit plans | \$ 246 | \$ 414 |
| Liabilities and reserves | 172 | 164 |
| Net operating loss carryforwards | 72 | 130 |
| Other | 89 | 88 |
| Gross deferred tax assets | 579 | 796 |
| Valuation allowance | (21) | (18) |
| | \$ 558 | \$ 778 |
| Deferred tax liabilities: | | |
| Property, plant and equipment | \$ 203 | \$ 200 |
| Equity investments | 107 | 369 |
| Intangible assets | 164 | 74 |
| Other | 288 | 33 |
| | \$ 762 | \$ 676 |
| Net deferred tax asset (liability) ¹ | \$ (204) | \$ 102 |

¹ Deferred tax assets of \$244 million and \$403 million have been included in the consolidated balance sheet caption "marketable securities and other assets" at December 31, 1997 and 1996, respectively.

On December 31, 1997, we had \$180 million of operating loss carryforwards available to reduce future taxable income of certain international subsidiaries. Loss carryforwards of \$11 million must be utilized within the next five years; \$169 million can be utilized over an indefinite period. A valuation allowance has been provided for a portion of the deferred tax assets related to these loss carryforwards.

Note 14: Nonrecurring Items

In the second quarter of 1997, we recorded a nonrecurring charge of \$60 million in selling, administrative and general expenses related to enhancing manufacturing efficiencies in North America.

In the third quarter of 1996, we recorded provisions of approximately \$276 million in selling, administrative and general expenses related to our plans for strengthening our worldwide system. Of this \$276 million, approximately \$130 million related to streamlining our operations, primarily in Greater Europe and Latin America. Our management

took actions to consolidate certain manufacturing operations and, as a result, recorded charges to recognize the impairment of certain manufacturing assets and estimated losses on the disposal of other assets.

The remainder of this \$276 million provision related to actions taken by The Minute Maid Company. During the third quarter of 1996, The Minute Maid Company entered into two significant agreements with independent parties: (1) a strategic supply alliance with Sucocitrico Cutrale Ltda., the world's largest grower and processor of oranges, and (2) a joint venture agreement with Groupe Danone to produce, distribute and sell premium refrigerated juices outside the United States and Canada. With these agreements, we intend to increase The Minute Maid Company's focus on managing its brands while seeking arrangements to lower its overall manufacturing costs. In connection with these actions, we recorded \$146 million in third quarter provisions, composed primarily of impairment charges to certain production facilities and reserves for losses on the disposal of other production facilities.

Also in the third quarter of 1996, we launched a strategic initiative, Project Infinity, to redesign and enhance our information systems and communications capabilities. In connection with this initiative, we recorded an \$80 million impairment charge in administrative and general expenses to recognize Project Infinity's impact on existing information systems.

Based on management's commitment to certain strategic actions during the third quarter of 1996, these impairment charges were recorded to reduce the carrying value of identified assets to fair value. Fair values were derived using a variety of methodologies, including cash flow analysis, estimates of sales proceeds and independent appraisals.

Also in the third quarter of 1996, we recorded a \$28.5 million charge in administrative and general expenses as a result of our decision to make a contribution to The Coca-Cola Foundation, a not-for-profit charitable organization.

During 1995, selling, administrative and general expenses included provisions of \$86 million to increase efficiencies in our operations in North America and Europe.

Note 15: Operations in Geographic Areas

Information about the Company's operations by geographic area is as follows (in millions):

| | North America | Africa | Greater Europe | Latin America | Middle & Far East | Corporate | Consolidated |
|--|--------------------|------------------|--------------------|------------------|----------------------|--------------------|--------------|
| 1997 | | | | | | | |
| Net operating revenues | \$ 6,443 | \$ 582 | \$ 5,395 | \$ 2,124 | \$ 4,256 | \$ 68 | \$ 18,868 |
| Operating income | 1,311 ² | 165 | 1,479 | 957 | 1,508 | (419) | 5,001 |
| Identifiable operating assets | 4,429 | 418 | 2,410 | 1,593 | 1,624 | 1,572 ¹ | 12,046 |
| Equity income | | | | | | 155 | 155 |
| Investments (principally bottling companies) | | | | | | 4,894 | 4,894 |
| Capital expenditures | 261 | 17 | 327 | 78 | 196 | 214 | 1,093 |
| Depreciation and amortization | 195 | 22 | 123 | 99 | 106 | 81 | 626 |
| 1996 | | | | | | | |
| Net operating revenues | \$ 6,050 | \$ 482 | \$ 5,959 | \$ 2,040 | \$ 4,095 | \$ 47 | \$ 18,673 |
| Operating income | 949 ³ | 118 ³ | 1,277 ³ | 815 ³ | 1,358 ³ | (602) ³ | 3,915 |
| Identifiable operating assets | 3,814 | 326 | 2,896 | 1,405 | 1,463 | 2,088 ¹ | 11,992 |
| Equity income | | | | | | 211 | 211 |
| Investments (principally bottling companies) | | | | | | 4,169 | 4,169 |
| Capital expenditures | 261 | 32 | 379 | 79 | 121 | 118 | 990 |
| Depreciation and amortization | 188 | 12 | 190 | 83 | 84 | 76 | 633 |
| 1995 | | | | | | | |
| Net operating revenues | \$ 5,513 | \$ 603 | \$ 6,007 | \$ 1,955 | \$ 3,994 | \$ 55 | \$ 18,127 |
| Operating income | 856 ⁴ | 205 | 1,256 ⁴ | 798 | 1,394 | (483) | 4,026 |
| Identifiable operating assets | 3,478 | 348 | 4,301 | 1,294 | 1,445 | 1,461 ¹ | 12,327 |
| Equity income | | | | | | 169 | 169 |
| Investments (principally bottling companies) | | | | | | 2,714 | 2,714 |
| Capital expenditures | 286 | 19 | 383 | 87 | 85 | 77 | 937 |
| Depreciation and amortization | 156 | 13 | 192 | 64 | 71 | 66 | 562 |

Intercompany transfers between geographic areas are not material.

North America includes only the United States and Canada.

Certain prior year amounts have been reclassified to conform to the current year presentation.

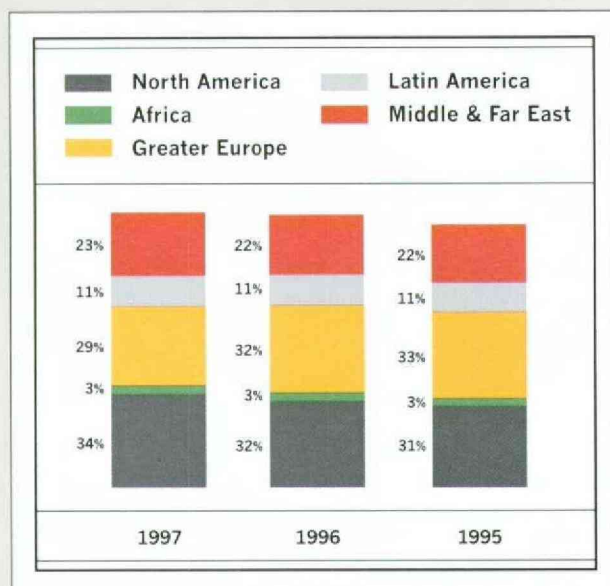
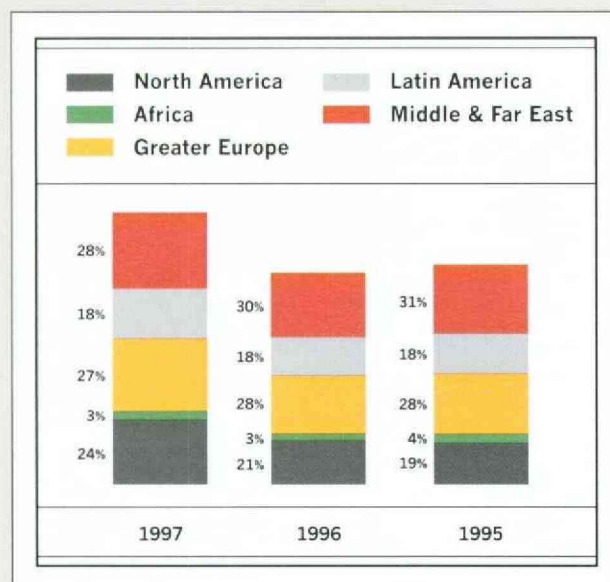
¹ Corporate identifiable operating assets are composed principally of marketable securities, finance subsidiary receivables and fixed assets.

² Operating income for North America was reduced by \$60 million for provisions related to enhancing manufacturing efficiencies.

³ Operating income for North America, Africa, Greater Europe, Latin America and the Middle & Far East was reduced by \$153 million, \$7 million, \$66 million, \$32 million and \$18 million, respectively, for provisions related to management's strategic plans to strengthen our worldwide system. Corporate operating income was reduced by \$80 million for Project Infinity's impairment impact to existing systems and by \$28.5 million for our decision to contribute to The Coca-Cola Foundation.

⁴ Operating income for North America and Greater Europe was reduced by \$61 million and \$25 million, respectively, for provisions to increase efficiencies.

| Compound Growth Rates Ending 1997 | North America | Africa | Greater Europe | Latin America | Middle & Far East | Consolidated |
|--------------------------------------|------------------|--------|-------------------|------------------|----------------------|--------------|
| Net operating revenues | | | | | | |
| 5 years | 7% | 19% | 4% | 9% | 13% | 8% |
| 10 years | 6% | 17% | 13% | 14% | 9% | 9% |
| Operating income | | | | | | |
| 5 years | 13% | 5% | 8% | 14% | 12% | 13% |
| 10 years | 12% | 13% | 13% | 20% | 13% | 14% |

Net Operating Revenues by Geographic Area¹Operating Income by Geographic Area¹

¹ Charts and percentages are calculated exclusive of corporate operations.

Report of Independent Auditors

Board of Directors and Share Owners
The Coca-Cola Company

We have audited the accompanying consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, share-owners' equity, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Atlanta, Georgia
January 23, 1998

Report of Management

THE COCA-COLA COMPANY AND SUBSIDIARIES

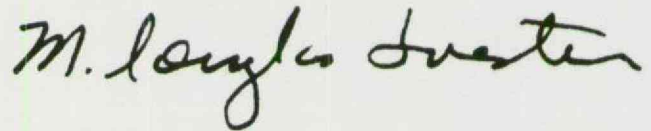
We are responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include certain amounts based on our best judgments and estimates. Financial information in this Annual Report is consistent with that in the financial statements.

We are responsible for maintaining a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that assets are safeguarded and that transactions are authorized, recorded and reported properly. The internal accounting control system is augmented by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Code of Business Conduct adopted by our Company's Board of Directors, applicable to all employees of our Company and our subsidiaries. In our opinion, our Company's internal accounting controls provide reasonable assurance that assets are safeguarded against material loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

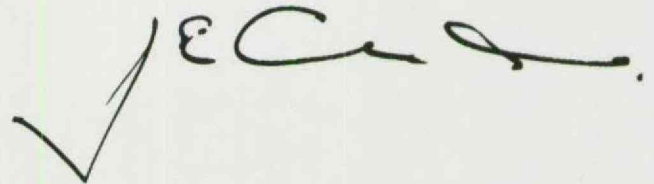
The Audit Committee of our Company's Board of Directors, composed solely of Directors who are not officers of our Company, meets with the independent auditors, management and internal auditors periodically to discuss internal accounting controls and auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Committee.

The independent auditors, Ernst & Young LLP, are recommended by the Audit Committee of the Board of Directors, selected by the Board of Directors and ratified by our Company's share owners. Ernst & Young LLP is engaged to audit

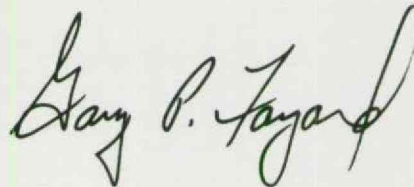
the consolidated financial statements of The Coca-Cola Company and subsidiaries and conduct such tests and related procedures as it deems necessary in conformity with generally accepted auditing standards. The opinion of the independent auditors, based upon their audits of the consolidated financial statements, is contained in this Annual Report.



M. Douglas Ivester
Chairman, Board of Directors,
and Chief Executive Officer



James E. Chestnut
Senior Vice President
and Chief Financial Officer



Gary P. Fayard
Vice President
and Controller

January 23, 1998

Quarterly Data (Unaudited)

(In millions except per share data)

| Year Ended December 31, | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Full Year |
|------------------------------|------------------|-------------------|------------------|-------------------|--------------|
| 1997 | | | | | |
| Net operating revenues | \$ 4,138 | \$ 5,075 | \$ 4,954 | \$ 4,701 | \$ 18,868 |
| Gross profit | 2,843 | 3,466 | 3,295 | 3,249 | 12,853 |
| Net income | 987 | 1,314 | 1,011 | 817 | 4,129 |
| Basic net income per share | .40 | .53 | .41 | .33 | 1.67 |
| Diluted net income per share | .39 | .52 | .40 | .33 | 1.64 |
| 1996 | | | | | |
| Net operating revenues | \$ 4,224 | \$ 5,286 | \$ 4,687 | \$ 4,476 | \$ 18,673 |
| Gross profit | 2,694 | 3,380 | 2,873 | 2,988 | 11,935 |
| Net income | 713 | 1,050 | 967 | 762 | 3,492 |
| Basic net income per share | .28 | .42 | .39 | .31 | 1.40 |
| Diluted net income per share | .28 | .42 | .38 | .30 | 1.38 |

The first quarter of 1997 includes a gain of approximately \$352 million (\$.08 per share after income taxes, basic and diluted) on the sale of our 49 percent interest in Coca-Cola & Schweppes Beverages Ltd. to Coca-Cola Enterprises.

The second quarter of 1997 includes noncash gains on the issuance of stock by Coca-Cola Amatil of approximately \$343 million (\$.08 per share after income taxes, basic and diluted). The second quarter of 1997 also includes provisions related to enhancing manufacturing efficiencies in North America of \$60 million (\$.02 per share after income taxes, basic and diluted).

The third quarter of 1997 includes a gain of approximately \$156 million (\$.04 per share after income taxes, basic and diluted) on the sale of our 48 percent interest in Coca-Cola Beverages Ltd. of Canada and our 49 percent interest in The Coca-Cola Bottling Company of New York, Inc. to Coca-Cola Enterprises.

The third quarter of 1996 includes a noncash gain from a tax settlement with the IRS for \$320 million (\$.13 per share after income taxes, basic and diluted), an impairment charge of \$80 million (\$.02 per share after income taxes, basic and diluted) to recognize Project Infinity's impact on existing information systems, a \$28.5 million (\$.01 per share after income taxes, basic and diluted) charge for our decision to make a contribution to The Coca-Cola Foundation, a not-for-profit charitable organization and provisions related to management's strategic plans to strengthen our worldwide system of \$276 million (\$.07 per share after income taxes, basic and diluted). In addition, the third quarter of 1996 includes noncash gains on the issuance of stock by Coca-Cola Amatil of \$130 million (\$.03 per share after income taxes, basic and diluted) and CCEAG of \$283 million (\$.04 per share after income taxes, basic and diluted).

Stock Prices

Below are the New York Stock Exchange high, low and closing prices of The Coca-Cola Company's stock for each quarter of 1997 and 1996.

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|-------------|------------------|-------------------|------------------|-------------------|
| 1997 | | | | |
| High | \$ 63.25 | \$ 72.63 | \$ 71.94 | \$ 67.19 |
| Low | 51.13 | 52.75 | 55.06 | 51.94 |
| Close | 55.75 | 68.00 | 61.00 | 66.69 |
| 1996 | | | | |
| High | \$ 42.69 | \$ 49.50 | \$ 53.88 | \$ 54.25 |
| Low | 36.06 | 39.13 | 44.25 | 46.88 |
| Close | 41.38 | 49.00 | 50.88 | 52.63 |

Our Management

Corporate Officers

M. Douglas Ivester¹
Chairman,
Board of Directors,
and Chief Executive Officer

Senior Vice Presidents

Anton Amon¹
William P. Casey¹
James E. Chestnut¹
Ralph H. Cooper¹
Douglas N. Daft¹
John J. Gillin
Joseph R. Gladden, Jr.¹
George Gourlay¹
Timothy J. Haas¹
Earl T. Leonard, Jr.¹
Alex Malaspina
Jack L. Stahl¹
Carl Ware¹
Sergio S. Zyman¹

Vice Presidents

Carolyn H. Baldwin
Lawrence R. Cowart
William J. Davis
Daniel B. Dennison
Randal W. Donaldson
Gary P. Fayard¹
Charles S. Frenette
Charles B. Fruit
Robert D. Guy
William S. Herald
Juan D. Johnson
Ingrid S. Jones
Carl K. Kooyoomjian
William R. Newton
Judith A. Rosenblum
Connell Stafford, Jr.
David M. Taggart
Charles L. Wallace
Michael W. Walters
Steve M. Whaley

James E. Chestnut
Chief Financial Officer

Joseph R. Gladden, Jr.
General Counsel

David M. Taggart
Treasurer

Gary P. Fayard
Controller

Susan E. Shaw
Secretary

¹ Officers subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934.

Operating Officers

Africa Group

Carl Ware
President

Stuart A. Eastwood
Northern Africa Division

Charles S. Frenette
Southern Africa Division

Latin America Group

Timothy J. Haas
President

Stuart F. Cross
Central America and Caribbean Division

Jorge Hurtado
Andean Division

Glenn G. Jordan
River Plate Division

Luiz Lobão
Brazil Division

Jose Octavio Reyes
Mexico Division

Brent D. Willis
VeneCol Division

Greater Europe Group

William P. Casey
President

Gavin J. Darby
Northwest European Division

José J. Nuñez-Cervera
Iberian Division

Michael O'Neill
Nordic & Northern Eurasia Division

John Sechi
Central Mediterranean Division

John K. Sheppard
East Central European Division

Patrick C. Smyth
German Division

Middle and Far East Group

Douglas N. Daft
President

A.R.C. Allan
Middle East and North Africa Division

P. Michael Bascle
Southeast and West Asia Division

John M. Farrell
China Division

C. Patrick Garner
Philippines Division

Michael W. Hall
Japan Division

Mary Minnick
South Pacific Division

Donald W. Short
India Division

North America Group

Jack L. Stahl
President

Andrew P. Angle
Coca-Cola USA Operations

Jeffrey T. Dunn
Coca-Cola Fountain

Anthony G. Eames
Coca-Cola Ltd., Canada

The Minute Maid Company

Ralph H. Cooper
President

Our Board

Herbert A. Allen^{2,3,4}

President and
Chief Executive Officer
The investment banking firm
Allen & Company
Incorporated

Ronald W. Allen^{3,5}

Consultant to, Advisory Director,
and former Chairman of the
Board, President and
Chief Executive Officer
Delta Air Lines, Inc.

Cathleen P. Black^{1,6}

President
Hearst Magazines

Warren E. Buffett^{1,2}

Chairman of the Board and
Chief Executive Officer
The diversified
holding company
Berkshire Hathaway Inc.

Charles W. Duncan, Jr.^{1,3}

Private Investor

M. Douglas Ivester³

Chairman, Board of Directors,
and Chief Executive Officer
The Coca-Cola Company

Susan B. King^{4,6}

Leader in Residence
Hart Leadership Program
Duke University

Donald F. McHenry^{1,5,6}

Distinguished Professor
in the Practice of Diplomacy
at the School of Foreign Service
Georgetown University

Sam Nunn^{2,3}

Partner in the law firm of
King & Spalding

Paul F. Oreffice^{2,4,5}

Former Chairman of the Board
The Dow Chemical Company

James D. Robinson III^{5,6}

Chairman and
Chief Executive Officer
RRE Investors, LLC
A private venture
investment firm
Chairman
The investment banking firm
Violy, Byorum & Partners
Holdings, LLC

Peter V. Ueberroth^{1,4}

Investor
Managing Director
The management company
The Contrarian Group, Inc.

James B. Williams^{2,3}

Chairman and
Chief Executive Officer
SunTrust Banks, Inc.

¹ Audit Committee

² Finance Committee

³ Executive Committee

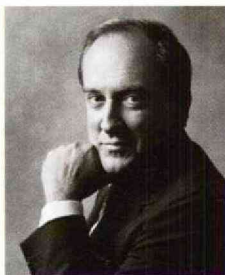
⁴ Compensation Committee

⁵ Committee on Directors

⁶ Public Issues Review Committee



CENTER, FRONT: M. Douglas Ivester. SECOND ROW: Warren E. Buffett. THIRD ROW, LEFT TO RIGHT: James B. Williams, Herbert A. Allen, Cathleen P. Black. FOURTH ROW, LEFT TO RIGHT: Sam Nunn, Susan B. King, Donald F. McHenry. FIFTH ROW, LEFT TO RIGHT: Peter V. Ueberroth, Charles W. Duncan, Jr., Ronald W. Allen. SIXTH ROW, LEFT TO RIGHT: James D. Robinson III, Paul F. Oreffice.



In Tribute

Roberto C. Goizueta

NOVEMBER 18, 1931 — OCTOBER 18, 1997

Among our pioneers, none stood taller
in creating value for our share owners.

Share-Owner Information

Common Stock

Ticker symbol: KO

The Coca-Cola Company is one of 30 companies in the Dow Jones Industrial Average.

Share owners of record at year end: 366,279

Shares outstanding at year end: 2.47 billion

Stock Exchanges

Inside the United States:

Common stock listed and traded: New York Stock Exchange, the principal market for our common stock.

Common stock traded: Boston, Cincinnati, Chicago, Pacific and Philadelphia stock exchanges.

Outside the United States:

Common stock listed and traded: The German exchange in Frankfurt and the Swiss exchange in Zurich.

Dividends

At its February 1998 meeting, our Board increased our quarterly dividend to 15 cents per share, equivalent to an annual dividend of 60 cents per share. The Company has increased dividends each of the last 36 years.

The Coca-Cola Company normally pays dividends four times a year, usually on April 1, July 1, October 1 and December 15. The Company has paid 307 consecutive quarterly dividends, beginning in 1920.

Dividend and Cash Investment Plan

The Dividend and Cash Investment Plan permits share owners of record to reinvest dividends from Company stock in shares of The Coca-Cola Company. The Plan provides a convenient, economical and systematic method of acquiring additional shares of our common stock. All share owners of record are eligible to participate. Share owners also may purchase Company stock through voluntary cash investments of up to \$125,000 per year.

All brokerage commissions associated with purchases made through the Plan are paid by the Company.

The Plan's administrator, First Chicago Trust Company of New York, purchases stock for voluntary cash investments beginning the first business day of each month, except in December when purchases begin on the 15th; dividend reinvestment purchases begin on April 1, July 1, October 1 and December 15.

If your shares are held in street name by your broker and you are interested in participating in the Dividend and Cash Investment Plan, you may have your broker transfer the shares to First Chicago Trust Company of New York electronically through the Direct Registration System.

At year end, 69 percent of the Company's share owners of record were participants in the Plan. In 1997, share owners invested \$39 million in dividends and \$124 million in cash in the Plan.

Annual Meeting of Share Owners

April 15, 1998, 9 a.m. local time

The Playhouse Theatre

Du Pont Building

10th and Market Streets

Wilmington, Delaware

Corporate Offices

The Coca-Cola Company

One Coca-Cola Plaza

Atlanta, Georgia 30313

Institutional Investor Inquiries

(404) 676-5766

Share-Owner Account Assistance

For address changes, dividend checks, direct deposit of dividends, account consolidation, registration changes, lost stock certificates, stock holdings and the Dividend and Cash Investment Plan, please contact:

Registrar and Transfer Agent

First Chicago Trust Company of New York

P.O. Box 2500

Jersey City, NJ 07303-2500

Toll-free: (888) COKESHR (265-3747)

For hearing impaired: (201) 222-4955

E-mail: fcfc@em.fcncd.com

Internet: <http://www.fcfc.com>

Information Resources

Publications

The Company's Annual and Interim Reports, Proxy Statement, Form 10-K and Form 10-Q reports are available free of charge upon request from our Industry & Consumer Affairs Department at the Company's corporate address, listed above. Also available is "The Chronicle of Coca-Cola Since 1886."

Internet Site

Our site at <http://www.coca-cola.com> offers information about our Company, as well as periodic marketing features.

Hotline

The Company's hotline, (800) INVSTKO (468-7856), offers taped highlights from the most recent quarter and may be used to request the most recent quarterly results news release.

Audio Annual Report

An audiocassette version of this report is available without charge as a service to the visually impaired. To receive a copy, please contact our Industry & Consumer Affairs Department at (800) 571-2653.

Duplicate Mailings

If you are receiving duplicate or unwanted copies of our publications, please contact First Chicago Trust Company of New York at one of the numbers listed above.

Glossary

Bottling Partner or Bottler: Businesses — generally, but not always, independently owned — that buy concentrates or syrups from the Company, convert them into finished packaged products and sell them to customers.

The Coca-Cola System: The Company and its bottling partners.

Concentrate or Beverage Base: Material manufactured from Company-defined ingredients and sold to bottlers for use in the preparation of finished beverage through the addition of sweetener and/or water.

Consolidated Bottling Operation (CBO): Bottler in which The Coca-Cola Company holds controlling ownership. The bottler's financial results are consolidated into the Company's financial statements.

Consumer: Person who consumes Company products.

Cost of Capital: Blended cost of equity and borrowed funds used to invest in operating capital required for business.

Customer: Retail outlet, restaurant or other operation that sells or serves Company products directly to consumers.

Derivatives: Contracts or agreements, the value of which is linked to interest rates, exchange rates, prices of securities, or financial or commodity indices. The Company uses derivatives to reduce its exposure to adverse fluctuations in interest and exchange rates and other market risks.

Dividend Payout Ratio: Calculated by dividing cash dividends on common stock by net income available to common share owners.

Economic Profit: Income from continuing operations, after taxes, excluding interest, in excess of a computed capital charge for average operating capital employed.

Economic Value Added: Growth in economic profit from year to year.

Fountain: System used by retail outlets to dispense product into cups or glasses for immediate consumption.

Free Cash Flow: Cash provided by operations less cash used in investing activities. The Company uses free cash flow along with borrowings to pay dividends and make share repurchases.

Gallon Sales (Shipments): Unit of measurement for concentrates (expressed in equivalent gallons of syrup) and syrups sold by the Company to its bottling partners or customers.

Gross Margin: Calculated by dividing gross profit by net operating revenues.

Interest Coverage Ratio: Income before taxes, excluding unusual items, plus interest expense divided by the sum of interest expense and capitalized interest.

KO: The ticker symbol for stock of The Coca-Cola Company.

Market: Geographic area in which the Company and its bottling partners do business, often defined by national boundaries.

The Minute Maid Company: A Company operating group responsible for producing, marketing and distributing juice and juice-drink products, with principal operations in the United States and Canada.

Net Debt and Net Capital: Debt and capital in excess of cash, cash equivalents and marketable securities not required for operations and certain temporary bottling investments.

Operating Margin: Calculated by dividing operating income by net operating revenues.

Per Capita Consumption: Average number of 8-ounce servings consumed per person, per year in a specific market. Company per capita consumption is calculated by multiplying our unit case volume by 24, and dividing by the population.

Return on Capital: Calculated by dividing income from continuing operations — before changes in accounting principles, adjusted for interest expense — by average total capital.

Return on Common Equity: Calculated by dividing income from continuing operations — before changes in accounting principles, less preferred stock dividends — by average common share-owners' equity.

Serving: Eight U.S. fluid ounces of a beverage.

Share of Sales: Company's unit case volume as a percentage of the total unit case volume of the soft-drink category of the commercial beverages industry.

Soft Drink: Nonalcoholic carbonated beverage containing flavorings and sweeteners. Excludes flavored waters and carbonated or noncarbonated teas, coffees and sports drinks.

Syrup: Concentrate mixed with sweetener and water, sold to bottlers and customers who add carbonated water to produce finished soft drinks.

Total Capital: Equals share-owners' equity plus interest-bearing debt.

Total Market Value of Common Stock: Stock price at year end multiplied by the number of shares outstanding at year end.

Unit Case: Unit of measurement equal to 24 eight-U.S.-fluid-ounce servings.

Unit Case Volume: Number of unit cases sold by bottling partners to customers; considered an excellent indicator of the underlying strength of soft-drink sales in a particular market. Company unit case volume primarily includes products reported as gallon shipments and other key products owned by our bottlers. Excludes products distributed by The Minute Maid Company.

Environmental Statement: The Coca-Cola Company is dedicated to environmental excellence. While our environmental impact is small, we are committed to managing that impact in a positive manner — just as we would any other business issue. One of the ways we do that is through EMS 2000, our comprehensive environmental management system. EMS 2000 includes extensive policies, provides environmental training and requires periodic environmental audits of our facilities. Through programs such as Waste \$mart — our waste minimization initiative in our facilities — and others like it, we have achieved significant progress in areas such as source reduction, recycling, water and energy conservation and wastewater quality. In 1997, the Company received a Best-of-the-Best Stratospheric Protection Award from the U.S. Environmental Protection Agency in recognition of our leadership in protecting the Earth's ozone layer.

Equal Opportunity Policy: The Coca-Cola Company and its subsidiaries employ nearly 30,000 people. We maintain a long-standing commitment to equal opportunity, affirmative action and valuing the diversity of our employees, share owners, customers and consumers. The Company strives to create a working environment free of discrimination and harassment with respect to race, sex, color, national origin, religion, age, sexual orientation, disability, being a special disabled veteran or being a veteran of the Vietnam era, as well as to make reasonable accommodations in the employment of qualified individuals with disabilities. The Company maintains ongoing contact with labor and employee associations to develop relationships that foster responsive and mutually beneficial discussions pertaining to labor issues. These associations have provided a mechanism for positive industrial relations. In addition, we provide fair marketing opportunities to all suppliers and maintain programs to increase transactions with firms that are owned and operated by minorities and women.



With deep gratitude, the nearly 30,000 men and women of The Coca-Cola Company salute our share owners, customers, consumers and bottling partners around the world. Without you, the success we enjoy today would not be possible.